The Influence of Auditor's Independence, Competence, Work Experience and Professional Skepticism on Audit Quality

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ABSTRACT

The Influence of Auditor's Independence, Competence, Work Experience and Professional Skepticism on Audit Quality

By:

Hanifah Azzahra Hakimah

Supervision: Noval Adib, Ph.D., Ak., CA.

Auditor as a profession is one of the front runners when it comes to upholding the quality of financial reporting and providing the broader public with reliable financial information. It certainly encourages the public accounting firm to improve the quality of audit generated. This study aims to determine whether auditor's independence, competence, work experience and professional skepticism affect audit quality. Quantitative method is used in this research. Questionnaires were given to 130 auditors who work at the big five public accounting firms in Jakarta. The collected data were then analyzed using the multiple regression analysis. The result of this study indicates that auditor's independence, competence, work experience and professional skepticism have a positive influence on audit quality partially and simultaneously.

Keywords: audit quality, independence, competence, work experience and professional skepticism.

ABSTRAK

Pengaruh Independensi, Kompetensi, Pengalaman Kerja, dan Skeptisisme Profesional Auditor terhadap Kualitas Audit

Oleh:

Hanifah Azzahra Hakimah

Dosen Pembimbing: Noval Adib, Ph.D., Ak., CA.

Auditor sebagai profesi adalah salah satu pelopor ketika menjunjung tinggi kualitas pelaporan keuangan dan meyakinkan publik dengan informasi keuangan yang dapat diandalkan. Ini tentu mendorong kantor akuntan publik untuk meningkatkan kualitas audit yang dihasilkan. Penelitian ini bertujuan untuk menentukan apakah independensi, kompetensi, pengalaman kerja dan skeptisisme profesional yang dimiliki oleh auditor mempengaruhi kualitas audit. Metode kuantitatif digunakan dalam penelitian ini. Kuesioner diberikan kepada 130 auditor yang bekerja di lima besar kantor akuntan publik di Jakarta. Data yang terkumpul kemudian dianalisis menggunakan analisis regresi berganda. Hasil penelitian ini menunjukkan bahwa independensi, kompetensi, pengalaman kerja dan skeptisisme profesional yang dimiliki oleh auditor memiliki pengaruh positif terhadap kualitas audit baik secara individual maupun bersama-sama.

Kata kunci: kualitas audit, independensi, kompetensi, pengalaman kerja dan skeptisisme professional

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3. To Mr. Roekhudin, Dr., Ak., CSRS., CA. as the Head of the Accounting Department.
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The author hopes that this minor thesis will be beneficial for a good kind of use, and able to bring a new significant insight for further research.

Malang, September 18th 2018

The Author,

Hanifah Azzahra Hakimah

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDIXES

APPENDIXES

Appendix 1. Recapitulation of Research Questionnaire Distribution

Recapitulation of Research Questionnaire Distribution

No.	Public Accounting Firm (KAP)	Number of Questionnaires Sent	Number of Questionnaires Filled/Returned
1.	KAP Amir Abadi Jusuf, Aryanto, Mawar & Rekan (RSM Indonesia)	35	35
2.	KAP Purwantono, Sungkoro & Surja (EY)	22	21
3.	KAP Satrio Bing Eny & Rekan (Deloitte)	25	24
4.	KAP Tanudiredja, Wibisana, Rintis & Rekan (PWC)	23	23
5.	KAP Siddharta Widjaja & Rekan (KPMG)	25	14

Appendix 2. Review of Past Research

NO	Researcher	Research Title	Research Variables	Research Results
1	Sukriah et al. (2009)	Pengaruh Pengalaman Kerja, Independensi, Obyektifitas, Integritas dan Kompetensi Terhadap Kualitas Audit	Independent: Work Experience, Independence, Objectivity, and Competence Dependent: Audit Quality	Work experience, objectivity and competence have positive influence on audit quality. Independence and Integrity have no influence on audit quality.
2	Elisha M. Singgih and Icuk R. Bawono (2010)	Pengaruh Independensi, Pengalaman, *Due Professional Care*, dan Akuntabilitas Terhadap Kualitas Audit	Independent: Independence, Experience, Due Professional Care, and Accountability Dependent: Audit Quality	Independence, experience, due professional care and accountability simultaneously affects audit quality. Independence, due professional care and accountability partially affects audit quality. Independence dominantly affecting the audit quality.
3	Achmad Badjuri (2011)	Faktor-faktor yang berpengaruh terhadap Kualitas Audit Auditor Independen pada Kantor Akntan Publik di Jawa Tengah	Independent: Independence, Audit Experience, Due Professional Care, and accountability Dependent: Audit Quality	Independence and accountability have significant positive influence on audit quality. Work experience and due professional care have no significant influence on audit quality.

NO	Researcher	Research Title	Research Variables	Research Results
4.	Lauw Tjun Tjun, et al. (2012)	Pengaruh kompetensi dan Independensi Auditor terhadap kualitas audit.	Independent: Competence and Independence Dependent: Audit Quality	Auditor competence have a significant influence on audit quality. Auditor independence have no significant incluence on audit quality.
6	Sarwoko and Agoes (2014)	An empirical analysis of auditor's industry specialization, auditor's independence and audit procedures on audit quality: evidence from Indonesia	Independent: Auditor's Industry Specialization, Auditors' Independence and Audit Procedures Dependent: Audit Quality	Auditor's industry specialization and auditor's independence have significant implementation of audit procedures to detect fraud. Auditor's industry specialization, auditor's independence have significant influence on audit quality.
7	Suraida (2006)	Pengaruh Etika, Kompetensi, Pengalaman Audit dan Risiko Audit terhadap Skeptisisme Profesional Auditor dan Ketepatan Pemberian Opini Akuntan Publik	Independent: Ethics, Competence, Audit Experience, and Audit Risk Moderate: Professional Skepticism Dependent: Accuracy in Giving Audit Opinion	Ethics, competence, audit experience and audit risk simultaneously and partially affect professional skepticism. Ethics, competence, audit experience, audit risk and professional skepticism positively affect the accuracy of audit opinion partially and simultaneously.
8	Alim, Hapsari, Purwanti. (2007)	Pengaruh kompetensi dan independensi terhadap kualitas audit dengan etika auditor sebagai variabel moderasi	Independent: Competence and Independence Moderate: Auditor Ethics Dependent: Audit Quality	Independence and competence affects audit quality significantly. Interaction between auditor ethics and competency do not have significant effect on audit quality.

NO	Researcher	Research Title	Research Variables	Research Results
9	Handayani and Merkusiwati (2015)	Pengaruh Independensi Auditor dan Kompetensi Auditor pada Skeptisisme Profesional Auditor dan Implikasinya terhadap Kualitas Audit	Independent: Auditor Independence and Competence Moderate: Professional Skepticism Dependent: Audit Quality	Auditor's independence and competence partially have positive influence on professional skepticism. Independence and competence also have positive influence on audit quality through professional skepticism. Professional skepticism positively affects audit quality.
10	Imansari, Halim and Wulandari (2016)	Pengaruh Kompetensi, Independensi, Pengalaman Dan Etika Auditor Terhadap Kualitas Audit	Independent: Auditor's Competence, Independence, Work Experience and Ethics Dependent: Audit Quality	Auditor's competence, independence, work experience and ethics simultaneously affect audit quality. Auditor's competence, independence, work experience and ethics partially affect audit quality. Competence is the dominant variable which affects audit quality.
11	Furiady and Kurnia (2015)	The Effect of Work Experiences, Competency, Motivation, Accountability and Objectivity towards Audit Quality	Independent: Work Experiences, Competency, Motivation, Accountability and Objectivity Dependent: Audit Quality	Competency, accountability and objectivity have significant effect towards audit quality.

NO	Researcher	Research Title	Research Variables	Research Results
13	Zarefar et al. (2016)	The Influence of Ethics, experience and competency toward the quality of auditing with professional auditor skepticism as a Moderating Variable	Independent: Ethics, Experience and Competency Moderate: Professional Skepticism Dependent: Audit Quality	Ethics, experience and competency have significant influence on audit quality. Ethics and experience through professional skepticism have significant influence on audit quality. Competency through professional skepticism does not affect audit quality.
14	Nandari and Latrini (2015)	Pengaruh Sikap Skeptis, Independensi, Penerapan Kode Etik, Dan Akuntabilitas Terhadap Kualitas Audit	Independent: Skepticism, Independence, Application of Code of Ethics and Accountability Dependent: Audit Quality	Auditor's professional skepticism, independence and accountability does not affect audit quality. Application of code of ethics positively affects audit quality.

Appendix 3. Research Data Tabulation

No.	Gender	Age	X1				TOTAL XI
			X1.1	X1.2	X1.3	X1.4	
1	L	23	5	4	5	5	19
2	P	22	5	5	5	4	19
3	L	27	5	5	5	4	19
4	P	23	5	5	5	4	19
5	P	22	5	5	4	4	18
6	P	22	4	4	4	4	16
7	P	22	4	4	4	5	17
8	P	23	5	5	5	4	19
9	P	23	4	4	4	4	16
10	P	22	4	4	4	4	16
11	P	44	5	5	5	5	20
12	L	27	5	5	5	5	20
13	L	27	5	5	5	5	20
14	P	27	4	4	4	4	16
15	P	26	5	5	5	5	20
16	L	27	5	5	5	5	20
17	L	26	5	5	5	4	19
18	L	26	5	4	5	5	19
19	L	26	4	4	4	4	16
20	P	28	5	5	5	5	20
21	P	28	5	5	5	5	20
22	L	29	5	5	5	5	20
23	P	30	5	5	5	5	20
24	L	33	5	5	5	5	20
25	L	30	5	5	5	5	20
26	P	28	5	5	5	5	20
27	L	23	5	4	4	4	17
28	L	23	5	5	4	4	18
29	P	23	4	5	5	4	18
30	L	23	5	4	4	4	17
31	L	23	5	4	4	4	17
32	P	23	5	5	5	5	20
33	L	22	5	4	4	4	17
34	L	22	5	4	4	5	18
35	P	23	5	5	4	5	19
36	L	23	5	5	5	4	19
37	P	26	5	5	5	4	19
38	L	26	5	5	4	5	19
39	L	26	4	5	5	5	19
40	L	27	5	3	5	5	18
41	P	23	5	5	5	4	19
42	L	25	5	5	4	4	18
43	L	27	5	5	4	5	19
44	L	28	5	5	5	5	20
45	P	28	5	5	5	5	20
46	L	29	5	3	5	5	18
47	P	23	4	4	4	4	16
48	L	34	5	5	5	5	20
49	L	26	5	5	5	5	20
50	P	27	5	5	5	4	19
51	L	26	5	5	2	5	17
52	P	27	5	5	4	5	19
53	L	27	5	5	5	4	19

No.	Gender	Age	X1				TOTAL XI
			X1.1	X1.2	X1.3	X1.4	
54	P	27	5	5	5	5	20
55	L	23	4	4	5	5	18
56	L	22	5	5	5	4	19
57	P	22	4	4	4	4	16
58	P	22	4	4	4	4	16
59	L	23	5	5	4	4	18
60	L	23	4	4	4	4	16
61	L	22	4	4	4	5	17
62	P	22	4	4	2	4	14
63	P	22	4	4	4	4	16
64	L	23	4	4	5	4	17
65	L	22	4	5	4	4	17
66	L	34	5	5	2	5	17
67	P	27	5	5	5	5	20
68	L	29	5	5	4	5	19
69	P	28	5	5	5	5	20
70	L	32	5	5	2	5	17
71	P	28	5	5	5	5	20
72	P	29	5	5	5	5	20
73	L	24	5	5	5	5	20
74	L	24	4	4	5	5	18
75	P	22	4	4	4	4	16
76	L	22	4	4	4	5	17
77	P	23	4	4	5	4	17
78	L	28	5	5	5	5	20
79	P	27	5	4	5	5	19
80	L	23	5	5	5	5	20
81	L	24	5	5	2	4	16
82	P	23	5	5	5	5	20
83	L	23	5	5	5	5	20
84	P	22	4	4	2	4	14
85	L	23	5	5	4	4	18
86	L	24	4	5	5	5	19
87	L	30	5	5	5	4	19
88	P	26	5	5	5	4	19
89	L	27	4	4	2	4	14
90	L	31	4	4	4	4	16
91	P	30	4	4	4	4	16
92	L	29	5	5	4	5	19
93	P	28	5	5	5	4	19
94	P	26	5	5	2	4	16
95	L	26	5	5	4	5	19
96	P	26	3	4	4	4	15
97	P	25	5	5	4	5	19
98	L	27	5	5	5	4	19
99	L	26	5	4	5	5	19
100	P	27	5	5	5	4	19
101	P	27	5	5	4	5	19
102	L	27	5	5	5	5	20
103	L	22	4	4	2	3	13
104	L	22	4	4	4	4	16
105	P	22	5	5	4	4	18
106	P	23	4	4	4	4	16
107	P	23	5	4	4	4	17

No.	X2			X3		
	X2.1	X2.2	TOTAL X2	X3.1	X3.2	TOTAL X3
1	3	4	7	11	22	33
2	3	3	6	1	3	4
3	3	9	12	11	22	33
4	3	2	5	1	2	3
5	3	5	8	1	3	4
6	3	2	5	1	4	5
7	3	5	8	1	8	9
8	3	7	10	5	10	15
9	3	2	5	1	4	5
10	3	2	5	1	6	7
11	4	20	24	11	22	33
12	3	9	12	5	8	13
13	3	11	14	5	8	13
14	3	12	15	11	26	37
15	3	9	12	4	8	12
16	3	10	13	11	22	33
17	3	7	10	11	22	33
18	3	5	8	3	6	9
19	3	5	8	4	6	10
20	3	9	12	6	14	20
21	3	17	20	6	20	26
22	3	10	13	6	23	29
23	3	11	14	7	30	37
24	4	15	19	10	33	43
25	4	17	21	12	43	55
26	3	18	21	6	21	27
27	3	4	7	2	5	7
28	3	6	9	2	6	8
29	3	3	6	2	8	10
30	3	3	6	1	6	7
31	3	4	7	1	4	5
32	3	11	14	1	6	7
33	3	5	8	1	7	8
34	3	6	9	1	6	7
35	3	3	6	2	5	7
36	3	3	6	1	3	4
37	3	7	10	3	6	9
38	3	6	9	3	10	13
39	3	6	9	3	8	11
40	3	11	14	4	15	19
41	3	9	12	4	12	16
42	3	5	8	2	7	9
43	3	10	13	4	16	20
44	3	14	17	6	18	24
45	3	15	18	6	25	31
46	3	14	17	6	29	35
47	3	2	5	1	2	3
48	4	18	22	11	34	45
49	3	13	16	4	8	12
50	3	14	17	5	10	15
51	3	12	15	4	10	14
52	3	12	15	5	10	15
53	3	11	14	4	8	12

No.	X2			X3		
	X2.1	X2.2	TOTAL X2	X3.1	X3.2	TOTAL X3
54	3	9	12	4	9	13
55	3	6	9	1	4	5
56	3	4	7	1	6	7
57	3	3	6	1	4	5
58	3	2	5	1	4	5
59	3	5	8	1	9	10
60	3	2	5	1	3	4
61	3	6	9	2	5	7
62	3	4	7	1	7	8
63	3	2	5	1	5	6
64	3	7	10	2	9	11
65	3	3	6	1	3	4
66	4	19	23	11	36	47
67	3	17	20	6	22	28
68	3	15	18	7	21	28
69	3	16	19	6	15	21
70	4	19	23	9	31	40
71	3	16	19	6	22	28
72	3	18	21	7	27	34
73	3	6	9	2	8	10
74	4	7	11	1	4	5
75	3	2	5	1	4	5
76	3	3	6	1	3	4
77	3	5	8	2	3	5
78	3	17	20	6	20	26
79	3	9	12	6	10	16
80	3	10	13	2	5	7
81	3	7	10	2	9	11
82	3	3	6	9	10	19
83	3	2	5	2	10	12
84	3	4	7	1	4	5
85	3	4	7	3	5	8
86	3	5	8	2	5	7
87	3	11	14	3	20	23
88	3	9	12	3	10	13
89	3	10	13	4	15	19
90	4	18	22	11	22	33
91	4	16	20	11	22	33
92	3	15	18	11	22	33
93	3	10	13	6	9	15
94	3	9	12	4	7	11
95	3	10	13	3	9	12
96	3	9	12	4	20	24
97	3	7	10	3	7	10
98	3	12	15	5	11	16
99	3	9	12	4	9	13
100	3	12	15	5	10	15
101	3	11	14	4	10	14
102	3	2	5	1	2	3
103	3	6	9	5	8	13
104	3	4	7	1	4	5
105	3	4	7	1	4	5
106	3	2	5	1	4	5
107	3	4	7	1	8	9

No.	X4						
	X4.1	X4.2	X4.3	X4.4	X4.5	X4.6	X4.7
1	4	5	5	5	4	5	5
2	4	4	5	5	4	4	4
3	5	5	5	5	5	5	5
4	4	4	4	4	5	5	4
5	4	4	4	4	4	4	4
6	4	4	4	4	4	4	4
7	4	4	4	4	3	4	4
8	5	4	4	5	5	5	4
9	4	3	4	4	4	4	4
10	5	4	5	5	4	4	4
11	5	5	5	5	5	5	5
12	5	5	5	5	5	5	5
13	5	5	5	5	5	5	5
14	5	5	5	5	5	5	4
15	5	5	4	4	5	5	5
16	5	5	5	5	5	5	5
17	5	5	5	5	5	5	5
18	4	5	5	5	4	5	5
19	4	4	4	4	4	4	4
20	5	5	4	5	5	5	5
21	5	5	5	5	4	5	5
22	5	5	5	5	4	4	5
23	5	4	5	5	5	5	5
24	5	5	5	5	5	5	5
25	5	5	5	5	5	5	5
26	5	5	5	5	5	5	5
27	4	5	4	4	4	4	4
28	4	5	4	4	4	4	4
29	4	4	4	4	4	4	4
30	5	4	5	4	4	5	5
31	5	4	4	5	4	4	5
32	5	5	5	5	5	5	5
33	5	4	4	4	4	5	4
34	4	4	5	5	4	4	4
35	4	4	5	4	4	4	5
36	4	5	4	5	4	5	5
37	5	5	5	4	4	5	5
38	5	5	5	4	4	4	5
39	4	4	5	5	5	5	5
40	5	5	5	5	5	5	5
41	5	5	5	4	4	5	5
42	4	4	4	4	4	5	5
43	5	5	5	5	4	4	5
44	5	5	5	5	5	4	5
45	5	5	5	5	5	5	5
46	5	5	5	4	5	4	5
47	4	4	3	4	4	5	4
48	5	5	5	5	5	5	5
49	5	4	5	5	4	5	5
50	5	5	5	4	5	4	5
51	5	5	5	5	5	5	4
52	5	5	5	4	5	5	4
53	5	5	4	5	5	5	4

No.	X4						
	X4.1	X4.2	X4.3	X4.4	X4.5	X4.6	X4.7
54	5	5	5	5	5	5	5
55	5	5	5	4	4	5	4
56	5	5	5	5	4	4	4
57	4	4	5	3	4	4	4
58	4	4	4	4	4	4	4
59	5	5	5	4	4	4	4
60	4	4	4	4	4	4	3
61	4	4	4	4	5	5	4
62	4	5	4	5	4	4	4
63	4	4	4	4	4	4	4
64	4	4	5	4	5	4	4
65	4	4	4	4	3	5	5
66	5	5	5	5	5	5	5
67	5	5	5	4	5	5	5
68	5	5	4	4	5	5	5
69	5	5	5	5	4	5	5
70	5	5	5	5	4	4	5
71	5	5	5	5	5	5	4
72	4	5	5	5	5	5	5
73	5	5	5	4	5	4	5
74	5	5	5	4	4	4	5
75	4	4	4	4	3	3	4
76	4	4	4	4	4	4	3
77	4	4	4	4	5	5	3
78	5	5	5	5	5	5	5
79	5	4	5	4	5	4	5
80	5	5	5	4	4	5	4
81	5	5	4	5	4	4	4
82	5	4	5	5	4	5	5
83	4	4	5	5	5	5	4
84	4	4	4	4	4	5	4
85	4	4	4	4	5	5	3
86	4	4	4	4	5	5	4
87	5	5	5	5	5	5	5
88	5	5	5	5	4	4	4
89	4	4	4	4	4	4	4
90	5	5	5	5	5	4	5
91	5	5	5	5	5	5	5
92	5	5	5	5	4	5	5
93	4	4	4	4	4	4	4
94	5	5	5	5	4	4	5
95	5	5	5	5	5	4	5
96	4	4	4	4	4	4	4
97	4	4	4	4	4	4	4
98	5	5	5	5	5	5	5
99	5	5	4	4	4	4	4
100	5	5	4	5	5	5	5
101	5	5	5	4	5	5	4
102	5	5	4	5	5	5	5
103	3	3	3	3	3	2	2
104	4	4	4	4	3	5	4
105	4	5	4	5	4	4	4
106	4	4	3	4	4	4	4
107	4	4	4	5	5	4	4

No.	X4							
	X4.8	X4.9	X4.10	X4.11	X4.12	X4.13	X4.14	TOTAL X4
1	5	4	4	4	4	4	4	63
2	4	3	5	4	5	4	4	61
3	5	4	5	5	4	5	5	71
4	5	4	4	4	4	4	4	63
5	4	4	3	4	4	2	2	56
6	4	3	4	4	4	4	4	61
7	4	4	4	4	4	2	2	58
8	4	3	4	4	4	5	5	69
9	4	4	4	4	4	4	4	64
10	4	4	4	3	4	2	2	64
11	5	5	5	5	5	5	5	81
12	4	4	4	4	4	5	4	76
13	5	4	4	5	4	5	4	79
14	5	4	5	4	5	5	5	81
15	5	4	5	5	4	2	5	78
16	5	4	4	5	4	5	5	83
17	5	4	5	5	4	5	5	85
18	5	4	4	4	4	4	5	81
19	4	4	4	4	5	4	4	76
20	5	5	5	4	4	5	5	87
21	5	4	5	4	4	5	5	87
22	5	5	5	4	5	5	5	89
23	5	5	5	5	5	5	5	92
24	5	5	5	5	5	2	5	91
25	5	5	5	5	5	5	5	95
26	5	5	5	5	5	5	5	96
27	4	3	4	4	4	4	4	83
28	4	3	4	4	4	5	5	86
29	3	4	4	4	4	3	3	82
30	4	4	5	4	5	4	4	92
31	3	4	3	4	4	4	4	88
32	5	5	4	4	5	4	4	98
33	4	4	4	4	4	4	4	91
34	5	5	5	4	5	5	5	98
35	5	5	5	4	4	4	4	96
36	5	4	4	3	4	5	5	98
37	5	4	5	4	5	5	5	103
38	5	5	5	4	5	5	5	104
39	5	5	5	5	5	4	4	105
40	5	4	5	5	5	2	5	106
41	5	5	5	5	5	5	5	109
42	5	5	5	5	5	2	5	104
43	4	5	5	5	5	5	5	110
44	5	5	5	5	5	5	5	113
45	5	5	5	5	5	5	5	115
46	5	5	5	5	5	5	5	114
47	3	4	5	4	4	4	4	103
48	5	5	5	5	5	5	4	117
49	5	5	5	5	5	5	5	117
50	5	5	5	5	5	5	5	118
51	5	4	5	5	5	5	5	119
52	5	5	5	4	5	5	5	119
53	5	5	5	5	5	5	5	121

No.	X4							
	X4.8	X4.9	X4.10	X4.11	X4.12	X4.13	X4.14	TOTAL X4
54	4	4	5	4	5	5	5	121
55	5	5	5	4	4	4	4	118
56	5	5	5	4	5	5	5	122
57	4	4	4	4	4	4	4	113
58	3	5	5	4	4	4	4	115
59	5	5	5	4	4	5	5	123
60	5	4	4	4	4	4	4	116
61	5	4	4	4	4	4	5	121
62	4	5	5	4	4	4	4	122
63	4	4	4	4	4	4	4	119
64	4	4	4	4	4	5	5	124
65	4	4	4	4	4	4	4	122
66	5	5	5	5	5	5	5	136
67	4	5	5	5	5	5	5	135
68	3	4	5	5	5	5	5	133
69	5	5	5	5	5	5	5	138
70	3	5	5	5	5	5	5	136
71	5	5	5	5	5	5	4	139
72	5	5	5	5	5	5	5	141
73	5	5	5	4	5	5	5	140
74	5	5	4	4	5	5	5	139
75	4	5	4	4	4	5	4	131
76	4	5	4	4	4	4	4	132
77	4	4	4	4	4	3	3	132
78	4	5	5	5	4	5	5	146
79	5	5	5	5	5	5	5	146
80	4	4	4	4	4	5	5	142
81	5	5	4	4	4	5	5	144
82	5	4	4	3	4	4	4	143
83	4	4	5	5	4	5	5	147
84	4	4	5	5	4	4	5	144
85	4	4	4	4	4	2	2	138
86	4	5	5	4	5	5	4	148
87	5	4	4	4	4	5	5	153
88	5	5	5	5	5	5	5	155
89	4	4	4	4	4	4	5	146
90	5	4	4	4	4	4	4	153
91	5	4	5	4	5	5	5	159
92	5	5	5	4	4	4	5	158
93	4	4	4	4	4	4	4	149
94	5	4	5	4	5	5	5	160
95	5	4	5	5	4	5	5	162
96	5	5	5	5	5	5	5	159
97	4	4	4	4	4	4	4	153
98	5	4	4	4	4	5	5	164
99	4	4	4	4	4	5	5	159
100	4	5	5	5	5	4	5	167
101	3	4	4	4	4	4	4	161
102	5	5	5	4	5	5	5	170
103	2	2	2	2	2	2	2	136
104	3	4	5	4	4	5	4	161
105	4	4	4	4	4	4	4	163
106	5	4	4	3	4	4	4	161
107	4	5	5	5	5	4	4	169

No.	Y							
	Y.1	Y.2	Y.3	Y.4	Y.5	Y.6	Y.7	TOTAL Y
1	5	5	5	5	5	5	5	35
2	5	5	4	4	5	4	4	31
3	5	5	5	5	5	5	5	35
4	3	3	3	3	3	4	4	23
5	4	4	4	3	4	3	3	25
6	4	4	4	4	4	4	4	28
7	4	5	4	4	4	4	4	29
8	4	5	5	5	5	5	5	34
9	3	4	4	4	4	4	2	25
10	5	5	4	4	4	4	4	30
11	5	5	5	5	5	5	5	35
12	5	5	5	5	5	4	5	34
13	5	5	5	4	5	5	5	34
14	5	5	5	3	5	5	5	33
15	5	5	5	4	5	5	5	34
16	3	5	5	5	5	5	5	33
17	3	5	5	5	5	5	5	33
18	5	5	5	5	4	5	5	34
19	4	4	4	4	4	4	4	28
20	5	5	5	5	5	5	5	35
21	5	5	5	5	5	5	5	35
22	5	5	5	5	5	5	5	35
23	4	5	5	5	5	5	5	34
24	5	5	5	5	5	5	5	35
25	5	5	5	3	5	5	5	33
26	5	5	5	3	5	5	5	33
27	4	5	5	4	4	4	4	30
28	4	5	5	5	5	5	5	34
29	4	4	4	4	4	4	4	28
30	5	5	4	4	4	5	5	32
31	5	4	4	4	4	4	4	29
32	2	5	5	5	5	5	5	32
33	5	4	4	4	4	4	4	29
34	4	5	5	5	5	5	5	34
35	5	5	4	5	5	4	5	33
36	2	5	5	5	5	5	5	32
37	5	5	5	5	5	4	5	34
38	4	4	5	4	5	5	4	31
39	5	5	5	4	5	5	5	34
40	5	5	5	5	5	5	4	34
41	5	5	5	5	5	4	5	34
42	5	5	5	4	4	5	5	33
43	2	5	5	5	4	5	5	31
44	2	5	5	3	5	5	5	30
45	5	5	5	5	5	5	5	35
46	5	5	5	3	5	5	5	33
47	4	4	4	4	4	4	4	28
48	5	5	5	5	5	5	5	35
49	5	5	5	5	5	5	5	35
50	2	5	5	5	5	5	4	31
51	5	4	5	5	5	5	5	34
52	5	5	4	5	5	5	5	34
53	5	5	5	5	4	5	5	34

No.	Y							
	Y.1	Y.2	Y.3	Y.4	Y.5	Y.6	Y.7	TOTAL Y
54	5	5	4	5	5	5	5	34
55	4	5	4	5	5	4	5	32
56	5	5	5	4	4	5	5	33
57	4	4	5	4	4	4	4	29
58	4	4	5	4	5	4	4	30
59	5	5	4	4	5	5	5	33
60	4	4	4	4	4	4	4	28
61	5	4	5	4	4	4	5	31
62	4	5	4	5	4	4	4	30
63	4	4	4	4	4	4	4	28
64	4	4	5	5	5	4	4	31
65	4	4	3	4	4	4	4	27
66	5	5	5	5	5	5	5	35
67	5	5	5	5	5	5	5	35
68	5	5	5	4	5	5	5	34
69	5	5	5	5	5	5	5	35
70	5	5	5	5	5	5	5	35
71	5	5	5	5	5	5	5	35
72	5	5	4	5	5	5	5	34
73	5	5	5	5	5	4	5	34
74	5	5	5	4	4	4	5	32
75	4	4	4	4	4	5	4	29
76	4	4	4	3	3	4	2	24
77	4	4	4	4	4	5	4	29
78	5	5	5	5	5	5	5	35
79	5	5	5	5	5	5	4	34
80	4	5	5	5	5	4	5	33
81	5	5	5	5	4	5	5	34
82	5	5	5	5	5	5	5	35
83	5	5	5	4	5	5	5	34
84	4	4	4	4	4	4	4	28
85	4	4	4	5	5	5	5	32
86	5	5	5	4	4	5	5	33
87	5	5	5	5	5	5	4	34
88	5	5	5	4	5	5	5	34
89	5	5	4	5	5	5	5	34
90	5	5	5	5	5	5	5	35
91	5	5	5	5	5	5	5	35
92	5	5	5	5	5	5	5	35
93	5	5	5	5	5	5	4	34
94	5	5	5	5	5	5	4	34
95	5	5	4	5	5	5	5	34
96	5	5	5	5	5	5	4	34
97	5	4	4	5	5	5	5	33
98	5	5	4	5	5	5	5	34
99	5	4	4	5	5	5	5	33
100	5	5	5	5	5	4	5	34
101	5	4	4	5	5	5	5	33
102	5	5	4	3	5	3	2	27
103	5	5	5	4	4	4	5	32
104	4	4	4	4	4	4	4	28
105	5	4	4	4	4	5	4	30
106	4	5	4	4	4	4	5	30
107	5	5	4	4	5	4	5	32

Appendix 4. Validity and Reliability Test

Correlations (Independence)

Correlations

		X1
X1.1	Pearson Correlation	.796**
	Sig. (2-tailed)	.000
	N	107
X1.2	Pearson Correlation	.814**
	Sig. (2-tailed)	.000
	N	107
X1.3	Pearson Correlation	.779**
	Sig. (2-tailed)	.000
	N	107
X1.4	Pearson Correlation	.702**
	Sig. (2-tailed)	.000
	N	107

**. Correlation is significant at the 0.01 level

Reliability

Case Processing Summary

		N	%
Cases	Valid	107	100.0
	Excluded[a]	0	.0
	Total	107	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.771	4

Correlations (Professional Skepticism)

Correlations

		X4
X4.1	Pearson Correlation	.753**
	Sig. (2-tailed)	.000
	N	107
X4.2	Pearson Correlation	.728**
	Sig. (2-tailed)	.000
	N	107
X4.3	Pearson Correlation	.698**
	Sig. (2-tailed)	.000
	N	107
X4.4	Pearson Correlation	.612**
	Sig. (2-tailed)	.000
	N	107
X4.5	Pearson Correlation	.607**
	Sig. (2-tailed)	.000
	N	107
X4.6	Pearson Correlation	.564**
	Sig. (2-tailed)	.000
	N	107
X4.7	Pearson Correlation	.754**
	Sig. (2-tailed)	.000
	N	107
X4.8	Pearson Correlation	.748**
	Sig. (2-tailed)	.000
	N	107
X4.9	Pearson Correlation	.616**
	Sig. (2-tailed)	.000
	N	107
X4.10	Pearson Correlation	.761**
	Sig. (2-tailed)	.000
	N	107
X4.11	Pearson Correlation	.702**
	Sig. (2-tailed)	.000
	N	107
X4.12	Pearson Correlation	.726**
	Sig. (2-tailed)	.000
	N	107
X4.13	Pearson Correlation	.792**
	Sig. (2-tailed)	.000
	N	107
X4.14	Pearson Correlation	.777**
	Sig. (2-tailed)	.000
	N	107

**. Correlation is significant at the 0.01 level

Reliability

Case Processing Summary

		N	%
Cases	Valid	107	100.0
	Excluded[a]	0	.0
	Total	107	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.920	14

Correlations (Audit Quality)

Correlations

		Y
Y.1	Pearson Correlation	.745**
	Sig. (2-tailed)	.000
	N	107
Y.2	Pearson Correlation	.765**
	Sig. (2-tailed)	.000
	N	107
Y.3	Pearson Correlation	.718**
	Sig. (2-tailed)	.000
	N	107
Y.4	Pearson Correlation	.812**
	Sig. (2-tailed)	.000
	N	107
Y.5	Pearson Correlation	.776**
	Sig. (2-tailed)	.000
	N	107
Y.6	Pearson Correlation	.743**
	Sig. (2-tailed)	.000
	N	107
Y.7	Pearson Correlation	.794**
	Sig. (2-tailed)	.000
	N	107

**. Correlation is significant at the 0.01 level

Reliability

Case Processing Summary

		N	%
Cases	Valid	107	100.0
	Excluded[a]	0	.0
	Total	107	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.880	7

Appendix 5. Classical Assumption Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		107
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.87200904
Most Extreme Differences	Absolute	.094
	Positive	.074
	Negative	-.094
Kolmogorov-Smirnov Z		.970
Asymp. Sig. (2-tailed)		.304

a. Test distribution is Normal.

b. Calculated from data.

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	X1	.442	2.264
	X2	.293	3.411
	X3	.343	2.916
	X4	.338	2.955

a. Dependent Variable: Y

Correlations

			Unstandardized Residual
Spearman's rho	X1	Correlation Coefficient	-.006
		Sig. (2-tailed)	.950
		N	107
	X2	Correlation Coefficient	-.043
		Sig. (2-tailed)	.661
		N	107
	X3	Correlation Coefficient	.075
		Sig. (2-tailed)	.441
		N	107
	X4	Correlation Coefficient	-.054
		Sig. (2-tailed)	.584
		N	107

Appendix 6. Multiple Regression Analysis

Regression

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.759[a]	.576	.560	1.90836	1.852

a. Predictors: (Constant), X4, X3, X1, X2

b. Dependent Variable: Y

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	505.261	4	126.315	34.684	.000[a]
	Residual	371.468	102	3.642		
	Total	876.729	106			

a. Predictors: (Constant), X4, X3, X1, X2

b. Dependent Variable: Y

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.469	2.572		6.404	.000
	X1	.363	.178	.198	2.037	.044
	X2	.136	.066	.248	2.080	.040
	X3	.054	.027	.223	2.022	.046
	X4	.110	.054	.228	2.054	.043

a. Dependent Variable: Y

CHAPTER I

INTRODUCTION

1.1 Research Background

Auditor as a profession is one of the front runners when it comes to upholding the quality of financial reporting and providing the broader public with reliable financial information. Auditing provides assurance to investors and creditors that company funds are handled appropriately. Auditors protect the public from investing in companies that use corrupt business practices or attempt to defraud investors with false financial statements. In reviewing financial statements and digging into accounting records, auditors can determine whether the financial statements and records accurately depict the company's true financial profile.

Auditors have the opportunity to fail in doing the audit process of the client's financial statements. In the end of 2016, Deloitte Touche Tohmatsu, based in Brazil, was fined by PCAOB (Public Company Oversight Board) for US $ 8 million for issuing materially false audit reports. In 2017, Ernst & Young Indonesia partners were fined by the United States for US $ 1 million for allegedly giving an unqualified opinion but unable to provide sufficient evidence. Based on the case, the profession of public accountant is highly supervised by public. They need to be able to work competently and independently by using their expertise carefully and thoroughly in order to gain public trust.

By being an important critical mass in the global accountancy profession, auditor as a part of public accountant is required to continue to support the quality

in carrying out the audit assignment. It certainly encourages the public accounting firm to improve the quality of audit generated. A quality audit will generate an opinion that matches the actual condition of the company and will certainly be useful to its users. The opinion is an objective and impartial assessment. This becomes one of many challenges for the public accounting firm in improving audit quality.

Until now there is no definite definition of audit quality. This is due to the lack of general understanding of the determinants of audit quality and the frequent conflict of interest between various users of the audit report. De Angelo (1981) states that audit quality is the probability that the auditors will find and report a violation on the client's accounting system. The auditor ability to find and report violations depends on the competence and independence of the auditors.

In principle, a quality audit can be achieved if the auditors apply the applicable standards and principles to be independent, obedient to the law, and adhere to the professional code of ethics. The audit standards that become the reference in producing quality audits are the general standards, field work standards and reporting standards. The general standard is a standard that reflects the personal quality of the auditors in which the auditors are required to have sufficient technical skills and training in performing the audit procedures. The standard of field work and reporting govern all auditor activities in audit practices and require auditors to prepare a report on the audited financial statements as a whole. In addition, the auditors have to comply with the professional code of ethics that regulates the behavior of auditors in carrying out their professional practice as well.

The first general standard states that in performing the audit, auditors must have

sufficient technical training and competence. This standard asserts that adequate education and competence as an auditor is a necessary requirement for public accountant in doing the audit process. *Kode Etik Akuntan Profesional* section 130 established by IAI states that auditors must maintain professional proficiency and expertise at the level needed to ensure that clients will receive competent professional services. The auditor must also act carefully and diligently in accordance with applicable technical and professional standards when providing professional services.

However, knowledge of audit is not only limited to the knowledge gained during formal education. It is certainly not enough to cultivate a critical attitude to the auditors in carrying out the audit assignment. It takes a variety of work experience as an auditor to improve the ability in performing quality audit within the specified timeframe thoroughly and precisely. Research conducted by Marchant G.A. (1989) in Septriani (2012) suggests that experienced auditors will be capable of identifying errors in analytic studies, which will bring a higher level of quality in doing the audit. Experienced auditors can also provide a logical explanation of the errors and misstatements in the financial statements and can classify the errors. This is also supported by research conducted by Christiawan (2004) who states that experience will positively affect auditor ability in detecting errors that exist in the audited financial statement. In conclusion, work experience may be the one of the factors that affects audit quality, especially in detecting any misstatements in the financial statements.

Public accountant as a third party are in charge of auditing the clients' financial statements as they need to assess the fairness of the financial statements presented.

It requires not only auditor competence and work experience but also independence. SAS no.1, section 220 explains that the auditors should maintain a mental attitude of independence in matters relating to the engagement. In practice, auditors are often placed in dilemmatic situations where the auditors are required to be independent in giving opinion on the fairness of the client's financial statements while on the other hand, the auditors also need to be able to meet the demand desired by the client who pays the fees for the audit services provided (Singgih and Bawono, 2010). The situation can certainly affect the quality of the audit. Therefore, independence as a character is required by the auditors in order to generate quality audit that does not favor a single interest but the public interest.

On the other hand, Beasley et al. (2001) reveals that one of the biggest causes of auditor failure in maintaining quality of an audit is the lack of professional skepticism owned by the auditor. Based on the research, from 45 cases of fraud in the financial statements, 27 of them are due to inadequate professional skepticism of auditors. Therefore, professional skepticism is also an important element in auditing. Which is an absolute must for the auditors to always question and critically evaluate the audit evidence. This is reflected in the third general standard which stipulates that in conducting the audit and preparing its report, auditors must exercise due professional care. The use of due professional care demands the auditor to carry out professional skepticism. In this case, professional skepticism is a must-have attitude for auditors, either internal or external auditors in the private sector or the public sector. Arens et al. (2008: 145) argues that the auditors must planned and performed every aspects of the audit with the attitude of professional skepticism. It is important because audit is designed to provide assurance of

detecting material misstatements due to errors and fraud in the financial statements. Hurtt (2010) states that the concept of proofing evidence is one of the main concepts in auditing. In this case, auditor professional skepticism become a key factor in critical judgments by having a mind that always question the validity of audit evidence obtained.

Based on what has been explained, it can be concluded that auditor independence, competence, work experience and professional skepticism may affect audit quality. Despite of the conclusion above, some of the previous studies of audit quality showed a variety of results. Research conducted by Furiady and Kurnia (2015) states that work experience has no effect on audit quality. Badjuri (2011) also states that work experience has no influence on audit quality. These results are contradictory to the results of research conducted by Sukriah, et al (2009) and Saripudin (2012) which finds that work experience positively and significantly influence the quality of audit. Research on independence by Tjun et al. (2012) indicates that independence has no significant effect on audit quality. Similar results were also found by Sukriah, et al (2009) who found that independence does not have any significant effect on audit quality. This is contrary to research conducted by Singgih and Bawono (2010) and Badjuri (2011) which state that independence had positive effect on audit quality. Research conducted by Furiady and Kurnia (2015) and Tjun et al. (2012) show that auditor competence has positive influence on the audit quality. Research by Zarefar et al (2016) shows that there is positive influence on professional skepticism towards audit quality through auditor's ethics and work experience. Suraida (2006) also states that professional skepticism has positive influence on audit quality. In contrast to

Nandari and Latrini (2015), they actually found a negative influence of professional skepticism on audit quality. Some inconsistencies in research results related to audit quality open up opportunities for this study to reexamine factors that affect audit quality including auditor independence, competence, work experience and professional skepticism.

Based on the background of the research, the writer entitles her research "The Influence of Auditor's Independence, Competence, Work Experience and Professional Skepticism on Audit Quality"

1.2 Research Question

Based on the explanation in the research background above, the research question for this research is:

"Do auditor's independence, competence, work experience and professional skepticism have positive influence on audit quality?"

1.3 Research Objective

The objective of this research is to examine the influence of auditor's independence, competence, work experience and professional skepticism on audit quality.

1.4 Research Contributions

1.4.1 Theoretical Contributions

This research can provide empirical evidence about the influence of auditor's independence, competence, work experience and professional skepticism on audit quality. This research is expected to enrich the related studies conducted on the area of audit, particularly on the relation of auditor independence, auditor competence, auditor work experience, auditor professional skepticism and audit quality. It is

expected that the results of the study will give deeper understanding for the students, researchers, and auditors.

1.4.2 Practical Contributions

This research can provide understanding, description, and insight into the factors that influence audit quality. This research can also help the public accounting firm as a basis for the recruitment and training process for the auditors. It is expected that the results of the study can improve the awareness of auditors related to independence, competence, work experience and professional skepticism toward audit quality. The ultimate purpose is to improve the audit quality and to increase the competitiveness of the auditors. In turn, the clients will gain benefit from having appropriate results of the audit, which they can use for their purpose.

CHAPTER II

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Agency Theory

The agency theory explains the relationship between the principal and the agent in business. Agent is the party contracted by the principal to work on his behalf which involves some decision making authority and responsibility (Jensen and Meckling, 1976). Management as the agent shall be responsible for their work to the shareholders as the principal. Management must also manage the company with the aim of improving the prosperity and profit of the company.

There are problems related to agency theory, the problem concerns the relationship between the principal and the agent, including:

1. Asymmetric Information

The occurrence of asymmetric information happens when the agent has more information related to the actual circumstances of the company such as the company's financial circumstances and the company's internal control system. This is because the job of the management as an agent is directly managing the company while shareholders as the principal is only receiving reports from the management for only limited outline and not as detail as faced by the management as the agent.

2. Conflict of Interest

The conflict of interest occurred because of the inequality of purpose. Both the agent and the principal have their respective interests. At the beginning they may have the same goal, then over time, management as the agent through a variety of influences led to a new kind of interest to benefit themselves more. The agent

doesn't always act accordingly to the interests of the principal. According to Eisenhardt (1989) agency theory has the assumptions of:

1. Human Assumptions

   Humans are self-interested, have bounded rationality and risk aversion.

2. Organizational Assumptions

   The existence of conflicts between members of the organization, efficiency as a productive criterion and the existence of asymmetric information between management, owners and shareholders.

3. Information Assumptions

   Where information is seen as commodity goods that can be purchase or traded.

These assumptions show that the problems that arise in the agency theory are caused by the human nature that are more focus on self-interest; between the agent and the principal. The principal will always demand the company to make maximum profit by achieving prosperity and increasing company's value, while the agent as the management will demand more compensation for their work from the principal. The management as an agent often have the tendency to make the company's finance looks good. This is due to their efforts in trying to get more compensation from the principle by achieving company's goals and objectives. Thus, the conflict between the agent and the principal might occur as they try to achieve their own welfare due to interest differences.

Agency theory helps auditors understand the conflicts of interest between management and shareholders. It may lead to one or more of fraudulent act. Thus, auditors are expected to be objectively responsible, independent in giving

judgments and have adequate competences in auditing as well as using their professional skepticism when needed in carrying out audit activities. The ability of auditors in discovering any fraudulent acts can be useful to minimize fraud in an entity as a whole. Auditors will assess and produce an appropriate audit opinion to the circumstances of the company. With the prevention, companies can reduce costs because of the conflict of interest.

2.2 Auditing

Auditing is one of the kind of attestation services. Attestation generally defined as a way of communication of an expert about the conclusions of the reliability of a person's statement.

Agoes (2016: 4) defines auditing as an examination conducted critically and systematically, by an independent party, to the financial statements prepared by management, along with the accounting records and supporting evidence, in order to provide an opinion on the fairness of the financial statements. According to Arens et al. (2008:4), auditing is the process of collecting and evaluating evidence of information to determine and report the degree of conformity between the information and the predefined criteria. Boynton, et al. (2003: 15) defines auditing as a systematic process of obtaining and objectively evaluating evidence of the economic activity and events in order to establish the degree of conformity between the assertions of economic events and the predetermined criteria. The result then will be deliver to the interested parties.

In conclusion, auditing is the process of collecting information and evaluating audit evidence. The collection of audit evidence should be conducted independently, professionally and objectively. It also has to be adjusted to the

predetermined criteria by assessing the alignment between the audited company's financial statements with applicable accounting standards.

The audit report can be useful to its users such as creditors, investors, and shareholders of the company. In the viewpoint of a corporate entity, auditing has an important role. Auditing is one of the requirements for corporate entities that wishing to register their shares in the stock exchange. They must present financial statements that have been audited by Public Accounting Firm. Thus, auditing is a value-added mandatory activity for go public companies.

In order to make the auditing process conducted critically, the auditors must have the competence and experience in accounting, taxation, accounting system, and auditing. Public accountants need to prepare the audit before the whole process begins by making an audit plan. Thus, the financial statements will not only be examined critically, but also systematically. The purpose of auditing is to be able to provide an opinion on the fairness of the financial statements (Agoes, 2016: 5).

There are five types of audit opinions according to *Standar Audit* section 508:

1. Unqualified Opinion
2. Unqualified opinion with Explanatory Language
3. Qualified Opinion
4. Adverse Opinion
5. Disclaimer Opinion

Financial statements which given unqualified opinion from the auditors may convince the users that the financial statements presented are free from material misstatement and also presented in accordance with the standards in Indonesia. In addition, a company with a total asset of Rp 25 billion and above must submit its

audited financial statement to the Indonesian Regulatory Authority for the Indonesian Capital Market (Bapepam-LK) no later than 90 days after the financial year. Tax collectors are also happened to be more confident in companies whose financial statements have been audited than companies with unaudited financial statements.

According to Agoes (2016: 34), stages in conducting the audit are as follows:

1. Public Accounting Firm (KAP) is contacted by prospective clients who require audit services.
2. Public Accounting Firm makes an appointment to meet with potential clients to discuss:
    a. The reason for the company to audit its financial statements.
    b. Whether previously the company have ever been audited by another Public Accounting Firm.
    c. Whether the company's type of business has been audited by another Public Accounting Firm.
    d. What is the business type and the general description of client's company.
    e. Whether the company's accounting data processed manually or with the help of systems.
    f. Whether the storage system of accounting evidence is quite neat.
3. Public Accounting Firm filed an offering letter containing: the type of services provided, the amount of audit fees, the date of when the audit begins, the date of when the report must be submitted, et cetera. If the company agrees, engagement letter will be made.
4. Public Accounting Firm conducts audit field work at client's office. After the

audit field work is completed, Public Accounting Firm provides audit report draft to the client as material for discussion. After the discussion, if there are no problems, the Public Accounting Firm will submit a final audit report.

5. In addition to the audit report, Public Accounting Firm is also expected to provide management letter which will informs and give some applicable suggestions to the management relating to the audit process generated.

2.2.1 Types of Audit

According to Agoes (2016: 10), judging from the extent of the audit, it can be divided into two:

1. General Audit

General audit is a general examination of the financial statements performed by an independent Public Accounting Firm (KAP) with the aim of providing an opinion on the fairness of the financial statements as a whole. The inspection shall be conducted in accordance with the Auditing Standards established by the Indonesian Institute of Certified Public Accountants (IAPI).

2. Special Audit

A limited audit (in accordance with auditee's request) conducted by an independent KAP, and at the end of the audit the auditor does not need to give an opinion on the fairness of the financial statements as a whole. Opinions given are limited to a particular needs or matter being examined, as the audit procedures performed are also limited.

In addition, the audit can be classified into four, among others:

1. Operational Audit/Management Audit

It is an examination of the company operational activities, including accounting

policies and operational policies that have been determined by management, to determine whether the operations have been done effectively, efficiently, and economically.

2. Compliance Audit

It is an inspection conducted to determine whether the company has complied with the rules and policies applicable, both determined by an internal party of the company (management, board of commissioners) and external parties (Government, Bank of Indonesia, General Directorate of Taxes, and others). This inspection can be performed either by internal auditors or external auditors.

3. Internal Audit

It is an examination conducted by the internal auditor of the company, both the financial statements and accounting records of the company, as well as compliance with management policies that have been determined.

4. Computer Audit

It is an examination by KAP against companies that perform processing of accounting data by using Electronic Data Processing (EDP) System. There are two methods that can be done by the auditor in doing Computer Audit, among others:

a. Audit Around the Computer

In this method, the auditor only checks the inputs and outputs of the EDP system without testing the processes inside the system.

b. Audit Through the Computer

In this method, in addition to checking the input and output of the EDP system, the auditor also performs the EDP process test. In this case KAP must have a Computer Audit Specialist who is an experienced auditor with

additional expertise in the field of computer information system audit.

Based on the descriptions above, there are types of audits that have their own functions and objectives. At the end, each type of audit has different outputs. Basically, every type of audits is aimed to establish the degree of conformity between the facts that occur with the predefined standards. The operational audit establishes the level of conformity between the business operations in certain parts of the company with the level of efficiency and effectiveness that has been established by management. The compliance audit determines the suitability between an execution and an activity on a company with government regulations, management provisions and others. Meanwhile, the audit of financial statements determines the suitability between the financial statements with the applicable standard used. Thus, each type of audits has the function of establishing conformity with their respective objectives.

2.2.2 Standards of Auditing

According to Agoes (2016: 52), standards are a criterion or a measure of performance quality that are also associated with the objectives to be achieved through the use of certain procedures. The Indonesian Institute of Certified Public Accountants (IAPI) has established and adopted an audit standard consisting of ten standards which are grouped into three large groups namely:

1. General Standards
    a. Audit should be conducted by one or more who have sufficient technical skills and training as an auditor.
    b. In all matters relating to engagement, independence in mental attitude must be maintained by the auditor.

c. In performing the audit and preparing its report, the auditor shall practice due professional care meticulously and thoroughly.

2. Standards of Field Work

a. The work should be planned as well as possible and if some assistants are needed, they should be properly supervised.

b. Sufficient understanding of internal control must be obtained to plan the audit and determine the nature, timing, and scope of the examination to be performed.

c. Sufficient competent audit evidence must be obtained through inspection, observation, inquiry, and confirmation as a reasonable basis for expressing an opinion on the audited financial statements.

3. Reporting Standards

a. The audit report should state whether the financial statements have been prepared in accordance with generally accepted accounting principles.

b. The audit report shall indicate or state, if any, the inconsistency in the application of the accounting standards in the preparation of the current financial statements as compared to the application of accounting standard in the previous period.

c. Informative disclosures in the financial statements should be considered adequate, unless otherwise states in the audit report.

d. The auditor's report shall include a statement of opinion concerning the financial statements as a whole or an assertion that such statements cannot be given. If opinions as a whole cannot be given, then the reason must be states. If the name of the Public Accounting Firm is associated with the

financial statements, the audit report shall contain clear guidance on the nature of the audit work performed, if any, and the level of responsibility borne by the Public Accounting Firm.

2.2.3 Audit Risk

Audit risk is all the probability that the auditors may provide an inexact audit opinion with several material misstatements on the financial statements. Audit risk is a reliability measure of the information used by the accounting system of how much confidence it can give to that information. The higher the audit risk, the more evidence must be collected so that the auditor can obtain adequate insurance as a basis for expressing their opinion on the financial statements (Hayes et al., 2017: 215).

The concept of audit risk is the opposite of an adequate concept of conviction. The higher the certainty the auditor would like to obtain in expressing the correct opinion, the lower the audit risk they will receive. If 99% certainty is desired then the audit risk is 1%, while if the 95% certainty is considered satisfactory, then the audit risk is 5%. Professional judgments relating to reasonable beliefs and overall level of audit risk is designed as a policy of the Public Accounting Firm, and audit risk will be comparable between one audit and another (Boynton 2003: 337).

Hayes et al. (2017: 216) states that the audit risk has three components, including:

1. Inherent risk

It is the vulnerability of an account balance or group of transactions against possible material misstatements either for each account balance or group of transactions and when combined with misstatements of the account balance or other

group of transactions, assuming no internal controls are involved.

2. Control risk

It is a risk of misstatement that can occur on account balances or material transactions that are material and cannot be prevented, detected and corrected in a timely manner with accounting systems and internal control systems.

3. Detection Risk

It is the risk that auditor substantive procedures cannot detect misstatements contained in account balances or material groups of transactions, whether for individual account balances or transaction groups or when combined with misstatements of account balances or other group of transactions.

In doing the audit process, there are two steps that must be done first. First, the auditor must understand the company's background, risks, lines of business, internal controls, and activities related to the company to be audited. Then, the auditor must identify the accounts and disclosure of the material management assertion. Second, the auditor conducts Risk Assessment, which is the calculation of the risks from the identification result in the first step.

2.3 Audit Quality

According to DeAngelo (1981), audit quality is defined as a possibility that an auditor will discover and report an infringement that exists in the client's accounting system. The likelihood that the auditor will find misstatements depends on the competence of the auditor while having the courage for reporting misstatements depends on the independence of the auditor. The quality of the audit can affect the reliability of financial statements in assisting decision making made by its users (Tjun et al., 2013). Behn et al., (1997) in Widagdo et al., (2002) states that there are

twelve attributes of audit quality in client satisfaction measurement; work experience as an auditor, client's industry understanding, responsive to client requirement, auditor competence, auditor independence, due professional care, strong commitment to audit quality, up-liner involvement during the audit process, the appropriateness of doing the audit field work, committee involvement during the audit process, high standard of ethics, and maintaining auditor professional skepticism.

According to the Institute of Indonesia Chartered Accountants (IAI), auditing standards are auditor's guidance in fulfilling their professional responsibilities when conducting audits. IAI also states that audit will be qualified when they meet auditing standards and quality control standards. According to *Kode Etik Akuntan Profesional* set by IAI, there are five basic principles that must be applied by professional accountants in order to maintain the quality of the audit conducted, among others:

1. Integrity

   The auditors should be completely honest and fair in their professional relationships during the audit practice.

2. Objectivity

   Auditors should not compromise in giving their professional judgment because of a conflict of interest or because of any influences of others that are not appropriate.

3. Competence and Due Professional Care

   The auditors should keep their professional knowledge and skills at a high level, and be diligent in applying their knowledge and skills when providing

professional services.

4. Confidentiality

Auditors should maintain the confidentiality of information obtained during professional and client-related duties

5. Professional Behavior

The auditors should refrain from any behavior that would discredit their profession, including any kind of negligence.

One aspect of the assessment of audit quality is reflected in a tangible form called an audit report. *Peraturan Menteri Negara Pendayagunaan Aparatur Negara* No. PER/05/M.PAN/03/2008 states that an audit report must be done on time, complete, accurate, objective, convincing and clear as concise as possible, in accordance to audit reporting standards. According to Efendy (2010), a quality audit is a quality service by auditors whose report that can be acted upon by auditee. Audit quality must be built from the beginning of the audit process until the reporting is done.

2.4 Independence

In accordance with the *Standar Profesional Akuntan Publik* (SPAP) set by IAI, public accountants must always maintain an independent mental attitude in providing professional audit services. The mental attitude of independence does not justify the auditor to have a preference on an interest to maintain his freedom of opinion (Sukriah, et al., 2009).

Mulyadi (2002: 26) explains that independence is a mental attitude to be free from any influences, not controlled by others and not dependent on others. Independence is an existence of honesty of auditors in considering facts and the

existence of objective consideration which does not prefer to any interest in formulating and expressing their opinion. Meanwhile, according to Boynton (2003: 78), independence is the basis of the auditor as a profession where the auditor will be neutral and objective towards the entity.

According to Agoes (2016: 68), the definition of independence for public accountants are divided into three types of independence:

1. Independent in Appearance

Independent in Appearance is the auditor's independence seen from its appearance in the organizational structure. A public accountant is an independent party in appearance because the public accountant is an outsider of the company while the internal auditor cannot be considered as a party who are independent in appearance because the position of internal auditors is still under the organizational structure of the company.

2. Independent in Fact

Independent in Fact is the independence of auditors which is viewed from the reality in carrying out their duties. Public accountants should be able to be independent during their duties in providing professional audit services, able to maintain integrity and always adhere to the applicable standards.

3. Independent in Mind

Independent in Mind sees auditors who need to maintain their attitude and mind independently in carrying out the audit assignment. If auditors are confronted with an assignment that makes him think to take advantage of the opportunity for an individual interest, then he has lost his independence even though it has not even been done.

It is a common requirement that auditors are prohibited from engaging in various audit activities for an entity when there is a potential of conflict of interest inside it. In fact, auditors often experience a conflict of interest that may affect auditor independence. According to Mulyadi (2002: 27), there are several conditions that can interfere auditor's independence:

1. As a provider of audit services, the auditors are paid by the client for their services.
2. As a provider of services, auditors tend to satisfy the wishes of their clients.
3. Maintaining an independent attitude can often lead the auditors to lose their clients.

2.5 Competence

The first general standard states that audit should be carried out by one person or more who have sufficient technical competence and training as an auditor. With this statement, all organizations that have auditors in it are responsible for ensuring that each examination is conducted by auditors who collectively possess a certain level of knowledge and proficiency required to carry out the task. Therefore, the organization should have recruitment procedures and evaluations of the audit to assist the organization in maintaining auditors with adequate competence for sustainable development.

Lee and Stone (1995) define competence as sufficient expertise that can explicitly be used to objectively practicing the audit process as a whole. Competence is the qualification required by the auditor to perform the audit properly well. According to Arens (2008: 34-35), competence is a personal quality that must be owned by an auditor which is obtained through formal education

background of auditing and accounting, sufficient professional training, and continuing professional education. The frequently used competencies are the characteristics that underlie the individual in achieving superior performance.

From some of the expert's opinions above, it can be concluded that competence is a personal quality that must be owned by an auditor assessed from educational background, adequate job training, creative thinking ability, breadth of knowledge, good emotional intelligence, and adequate work skills with high effort. Thus, the auditor is able to provide professional services that are competent as they need to provide quality work.

Auditor competence can be seen from various perspectives. Each point of view will be discussed in more detail below:

1. Individual Auditor Competence

There are many factors that affect the ability of auditors, including knowledge and experience. To perform the audit task, the auditor requires knowledge of the auditing, accounting and industrial fields of the client. In addition, experience in conducting audits is also needed.

2. Audit Team Competence

The first standards of fieldwork states that if the audits need any assistants, they must be properly supervised. In an assignment, an audit team usually consists of a junior auditor, senior auditor, manager and partner. The audit team is seen as a factor that further determines the quality of the audit (Wooten et al., 2003). In addition, the amount of attention given by partners and managers on an audit task was found to be related to audit quality.

3. Competence from Public Accounting Firms Viewpoint

The quality of Public Accounting Firm according to Deis & Giroux (1992) is measured by the number of clients and the percentage of the audit fee in an attempt to keep the client from moving on to another Public Accounting Firm. Large Public Accounting Firms already have an extensive and large client network so that they are more independent and less afraid of losing clients (DeAngelo, 1981). In addition, large Public Accounting Firms usually have more and better resources to train their auditors by finance them to continuing their professional education than small Public Accounting Firms.

According to the Kode Etik Akuntan Profesional section 130 set by IAI, professional competence can be divided into two separate phases:

1. Achievement of professional competence

   Achievement of professional competence initially requires a high standard of education followed by special education, training or professional examination in relevant subjects and work experience.

2. The transition of professional competence

   a. Competence must be maintained by members through a commitment to always learn and increasing professionalism continuously during their professional life.

   b. Maintenance of professional competence requires members' awareness to keep abreast of professional development.

   c. Members should implement a program designed to ensure the quality of the consistency of the services provided with national and international standards. Competence indicates the achievement and maintenance of a level of knowledge that allows a person to provide a service.

d. Members shall be diligent in fulfilling their responsibilities to their clients with caution, perfection and compliance with applicable technical and ethical standards.

2.6 Work Experience

According to Suraida (2006), work experience in auditing is the auditor's experience in auditing financial statements in terms of both the length of time and number of assignments that have been handled. The audit experience is measured by the auditor's flight hours in performing audit procedures related to the giving of opinion on the auditee's financial statements (Fakhri, 2016). Experienced auditors certainly have a better understanding of the financial statements. According to the SAS No.1 section 210, no matter how capable an auditor may be in other fields, he cannot meet the professional requirements demanded by auditing standards if he does not have adequate education and experience in auditing field.

According to Libby and Frederick (1990), experience and knowledge can influence auditor's opinion. Auditors with more experience will be able to understand better their duties in the implementation of audit procedures compared to auditors who have less experience. The more experience they have, the more the auditors can generate assumptions in explaining the audit findings. Experienced auditor will not only have the ability to spot the material misstatements in the financial statements, but may also provide a more accurate description of the findings compared to those with no experience.

Research conducted by Singgih and Bawono (2010) assess experience based on length of work, the frequency of examination that have been done and the number of trainings in audit fieldwork that have been participated. In this study,

experience is assessed as a learning process and the addition of potential developmental behavior of both formal and non-formal education. The more tasks a person does, the more he will be honed in the ability to detect misstatements that require special and varied treatment. Experiences are able to make a person do his work faster and better in the settlement.

Audit experience owned by the auditor also has an important role in determining the audit judgment. According to Butt (1998), experienced auditors will make a relatively better judgment in their duties. Experienced auditors can organize knowledge in memory that further influence judgment in audit assignment. Nelson et al. (1995) states that experienced auditors will only be based on relevant information as the basis for judgment making, while inexperienced auditors will be based the judgment both on relevant and irrelevant information collectively.

2.7 Professional Skepticism

The third general standard in the SAS No.1 section 230 states that in conducting audit and preparing its report, auditors are required to use their professional skills carefully and thoroughly (due professional care). The use of the professional proficiency carefully and thoroughly demands the auditor to exercise professional skepticism. The American Institute of Certified Public Accountant (AICPA) provides the definition of professional skepticism as: "an attitude that includes a questioning mind and a critical assessment of an audit evidence" (AU Section 316). The auditors are expected to exercise professional skepticism in conducting the audit in order to be able to find any material misstatements due to fraud.

By referring to the agency theory, the audit should be conduct by auditors with a mindset that acknowledge the chance that a material misstatement in consequence

of fraud could be present. Any past experience with the client and any belief about management's integrity and honesty should be out of the way. In using professional skepticism to gather and evaluate evidence, the auditor should not be pleased with a weak evidence because of a belief that management is trustworthy.

Agoes (2016: 71) defines professional skepticism as a posture filled with questions in mind and a critical judgment on any audit evidence obtained. Professional skepticism is defined as an attitude that does not easily believe in audit evidence presented by management, the attitude of always questioning and evaluation of audit evidence critically. Professional skepticism is essential for auditors to gain strong information, which will serve as the basis for relevant audit evidence that able to support the giving opinion on the fairness of financial statements. Auditors must be professionally responsible for their duty to be diligent and careful. As a professional, auditors should avoid carelessness and trustworthiness, but the auditor is not expected to make a perfect judgment in the opportunity.

Auditors have to exercise and maintain professional skepticism in every audit assignment. The audit should provide reasonable assurance that audit evidence is sufficient and appropriate to support the audit findings and conclusions. Adequate confidence in the evidence will greatly assist the auditor in carrying out a quality audit. Auditors with technical expertise through practical training will also contribute well to quality audit.

Hurtt (2010) introduce six characteristics of professional skepticism: questioning mind; suspension of judgment; searching for knowledge; interpersonal understanding; autonomy; and self-esteem. The characteristics relate

to how an auditor evaluates evidence. The characteristics represent the willingness of an auditor to look for sufficient audit evidence and to evaluates the evidence before making a decision. An auditor who show a higher level of professional skepticism is supposed to wait for more information to acquire sufficient basis in making audit judgments. The interpersonal understanding characteristic identifies the need to examine the human aspects of an audit in evaluating evidence. Meantime, the autonomy and self-esteem characteristics point out the ability of a person to take steps upon the information obtained.

Each characteristic comprehends items which are contribute to the level of auditor's professional skepticism. In order to establish the level of skepticism of an auditor, each skepticism characteristic needs to be measured individually. Hurtt (2010) put on a separate scale for measuring each of the six skepticism characteristic. Evidence indicates that each auditor may differ from another relating to differences in their characteristics of professional skepticism (Hurtt 2010). Each of the characteristics discussed above is deliberately explained in detail in the following paragraphs.

1. Questioning Mind

Questioning mind is an attitude of an individual in related to interest and curiosity (Hurtt 2010). Auditors with a questioning mind attitude will continuously question the truth for the purpose of further definition and clarification; and demand reasons, confirmation or evidence. An auditor will acquire the questioning mind attitude in order to gain sufficient evidence before making judgments and forming audit findings. Auditors may as well question the exactness of their own judgments.

Paragraph A20 of ISA 200 states that auditors have to make critical evaluation of audit evidence using questioning mind concerning about the validity and the reliability of the evidence. The paragraph indicates that in order to maintain a mind that questions critically, auditors must be aware of questionable or contradicting audit evidence relating to the reliability of management representations. Due to the risks of material misstatement generated by fraud, paragraph A7 of ISA 240 necessitates auditors to maintain a questioning mind which critically evaluates audit evidence. Due to the nature of fraud, auditors must maintain an attitude of skepticism which results in continual questioning of whether the information and evidence obtained indicates the appearance of material misstatement due to fraud. In conclusion, the attitude of questioning mind is an aspect of skepticism that is strictly required by auditing standards and extremely supported by research in accounting field, which by turn supposed to improve auditor performance.

2. Suspension of Judgment

Suspension of judgment is an aspect of professional skepticism that points to an attitude whereby auditors will postpone the audit judgments making until sufficient evidence has been obtained to explain the actual cause of an issue of audit (Hurtt 2010). The attitude of skepticism can be described as being reluctant to easily accept assertions and maintaining an open mind which critically evaluating evidence Auditors who have the characteristic of suspension of judgment will not agree to any explanation or statement without critically evaluating the audit evidence. As one of the skepticism characteristics, the suspension of judgment will make auditors keep their judgments until sufficient evidence is gathered.

3. Searching for Knowledge

Another characteristic of professional skepticism is searching for knowledge, which shows the individual's curiosity or eagerness to investigate. The purpose of the examination is to obtain additional information as to reduce task unreliability. An auditor is faced with uncertainties when a new or more complex audit assignments are experienced. Uncertainties will cause a skeptical auditor to look for more reliable information. Therefore, auditors who maintain a professional skepticism are tend to be fascinated in searching for knowledge in performing audit tasks. The knowledge gained by auditors will be useful for any audit procedures and techniques. *Kode Etik Akuntan Profesional* set by IAI states that the auditors should maintain their knowledge and professional proficiency on a certain level which is enough to conduct a professional audit service for the client. In terms of high risk on fraud, audit procedures must be elevated and diversified in order to gain more authentic evidence.

4. Interpersonal Understanding

Interpersonal understanding refers to the concept of understanding about the reasons or motivations of a person's behavior. From the perspective of auditing, interpersonal understanding is a certain level on how auditors appreciate the integrity of the person who provide the audit evidence. It is relevant that auditors are skeptical in understanding the incentives and motives of the evidence provider to make them correct and challenge the prior assumption in their audit works. The interpersonal understanding characteristic also requires auditors to be skeptical on the behavior and action of a client. Auditors must understand the motives which may activate the client's behavior.

5. Autonomy

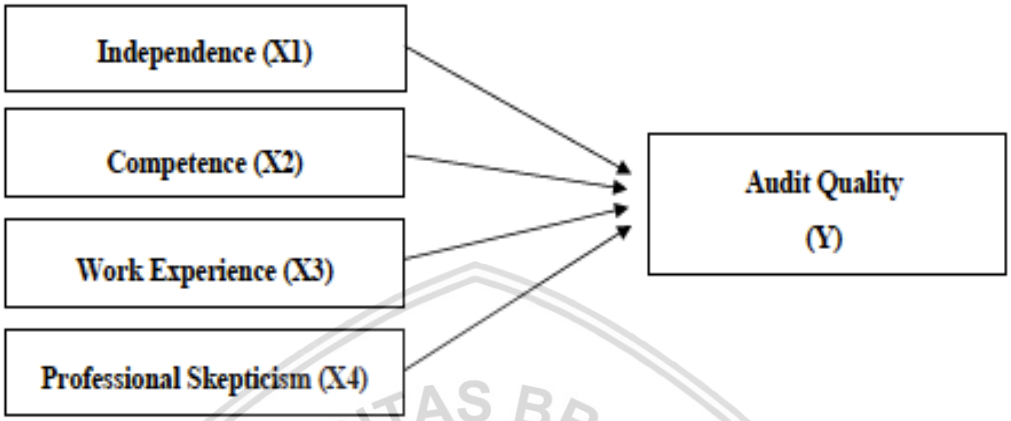
The autonomy characteristic refers to auditor's ability in deciding the information's adequacy as audit evidence before making audit judgments (Hurtt 2010). Auditors with high autonomy rely less on clients' suggestions and will not be easily affected by other's belief or opinion. Skeptical auditors will be diligent to carry out additional investigations and audit evidence until they are personally confident and satisfied to make their own decisions. Autonomy can be related as the attitude of professional courage, stating that the auditors must have professional courage not only to critically evaluates and discard the opinion of others, but to give their own inventions.

6. Self-Esteem

The self-esteem characteristic refers to feelings of self-worth and belief in own abilities (Hurtt 2010). Auditors who own this characteristic are more confident to perform audit assignments effectively and make their own judgments and conclusions of audit. Auditors who carry the self-esteem attribute are capable in challenging client's decisions and assumptions; and are suspicious to all evidences presented to them. Auditors with self-esteem are aware of their assignment and able to defend themselves against pressure from clients. Self-esteem can afterwards reduce the financial statements risk of material misstatements due to fraud.

2.8 Conceptual Framework

Figure 2.1
Conceptual Framework



2.9 Review of Past Research and Hypotheses Development

2.9.1 The Relationship Between Independence and Audit Quality

As one of the absolute requirements of public accountant to be independent, it becomes one of the factors influential in producing a quality audit report. By being free from any conflict of interest, the auditor can carry out the audit process without affecting the quality of audit generated. This is supported by a study by Christiawan (2004) which states that public accountant is an independent party that is impartial to anyone and obliged to be honest in public interest.

Research conducted by Sarwoko and Agoes (2014) states that independence have significant effect on audit quality which means the higher the independence of the auditor the higher the quality of audit generated. The research conducted by Singgih and Bawono (2010) also provides empirical evidence that independence are both simultaneously and partially affecting audit quality. The same study also states that independence is one of the dominant factors that affect the quality of

audit. In line with the previous study, Badjuri (2011) also states that independence significantly affects audit quality. The study also provides empirical data which illustrates that the higher the auditor independence in carrying out the audit, the higher the quality of audit results. The results are also supported by research conducted by Alim et al (2007) and Christiawan (2004) which states that independence has a positive effect on audit quality. Based on the above exposure, the first hypothesis in this study is:

H_1: Auditor independence has a positive influence on audit quality.

2.9.2 The Relationship Between Competence and Audit Quality

Competence is the skill of an expert. Where the expert is defined as someone who has a certain level of skill in certain subjects derived from knowledge and experience. Auditors are expected to have qualified skills in understanding the auditee business industry. The audit team in charge is also expected to provide the best audit services in accordance with the knowledge they have.

According to research conducted by Handayani and Merkusiwati (2015), competence has a significant positive effect on audit quality. A study conducted by Alim et al. (2007) also revealed that auditor competence has a significant effect on audit quality. Research conducted also by Imansari, Halim and Wulandari (2016), which objects are auditors who work in Malang, showed that competence has a significant effect on audit quality. The same as the research conducted by Furiady and Kurnia (2015), Tjun et al. (2013) also supported the statement above by finding that auditor competence has influence on the audit quality. The auditor must have the competence in auditing in order to produce a quality audit. Based on the exposure and previous research results, the second hypothesis in this study is:

H_2: Auditor competence has a positive influence on audit quality.

2.9.3 The Relationship Between the Work Experience and Audit Quality

A competent auditor would need sufficient experience in carrying out the audit practice. Experience is owned by the way of a person in doing the same job continuously, so he becomes faster and better in completing his work (Singgih and Bawono, 2010). Sukriah, et al. (2009) provides empirical data which states that work experience are positively affects audit quality. It means, the more work experience the auditors gained, the more quality of the audit generated. In contrast with Badjuri (2011) and Furiady and Kurnia (2015), they found that work experience has no influence or effect on audit quality.

Auditors with more experiences would have understood the techniques relating to complete the job better. They have also encountered various obstacles and mistakes during the completion of their previous tasks which makes them more careful in carrying out the given task in the present and the future. It will certainly affect the quality of audit conducted. Research conducted by Tubbs (1992) suggests that auditors with more audit experience will have the probability to find greater errors and misstatements than auditors who have fewer experience. It indicates that auditors with more work experience will generate a better quality of audit. This is also supported by research conducted by Saripudin et al. (2012) and Zarefar et al. (2016) who provide empirical data which states that there are a significant influence of auditor's experience on audit quality. Based on the exposure and the results of previous research, the third hypothesis in this study is:

H_3: Auditor work experience has a positive influence on audit quality.

2.9.4 The Relationship Between Professional Skepticism and Audit Quality

International Standards on Auditing states that auditor professional skepticism is essential for a critical assessment against the audit evidence. Auditors must have a mind that is always questioned the reliability of documents obtained from management and also consider the adequacy and appropriateness of evidence obtained. Handayani and Merkusiwati (2015) found a positive influence of professional skepticism on audit quality through auditor's independence and competence.

Research by Zarefar et al (2016) shows that there is a positive effect of professional skepticism towards audit quality through auditor's ethics and work experience. Suraida (2006) also states that auditors with high skepticism will improve the audit quality. In contrast to Nandari and Latrini (2015), they actually found a negative influence of professional skepticism on audit quality. In the light of the statement above, the last hypothesis is;

H_4: Auditor professional skepticism has a positive influence on audit quality.

CHAPTER III

RESEARCH METHOD

3.1 Research Type

This research uses quantitative method in hypothesis testing, which aims to examine the influence of the independent variables on the dependent variable in this study. Sugiyono (2016: 7) explains quantitative method as a method use in conducting research based on positivism philosophy, scientific and discovery. It uses statistic to analyze the research data which results are presented in numbers.

3.2 Population and Sample

Population is an entire group of people, events, or objects that the researcher needs to investigate (Sekaran & Bougie, 2013: 240). The population on this research are auditors who work at the public accounting firms which are located in Jakarta. In this study, the sampling technique was taken using purposive sampling method, sample determination technique based on consideration. The sample on this research are the auditors who work at the big five public accounting firms based on the 2018 Top 100 Firms by Accounting Today which are located in Jakarta. The reason for the researcher in making the big five public accounting firms as the sample of this study is with the consideration that the head office of each firms are located in Jakarta. The second reason is that the audit services provided by the big five public accounting firms dominate the market position in making audit engagement with large companies in Indonesia. Large public accountant firms will try to present greater audit quality compared to small public accounting firms (De Angelo, 1981). Large Public Accounting Firms already have

an extensive and large client network so that they are more independent and less afraid of losing clients (DeAngelo, 1981). In addition, large Public Accounting Firms usually have more and better resources to train their auditors by finance them to continuing their professional education than small Public Accounting Firms. Auditors who work in the big five public accounting firm have a better reputation as in maintaining independence and professionalism in providing an assessment of the reliability and fairness of client financial statements compared to auditors who work in a non-big five public accounting firm. Big five public accounting firms generally have greater resources which resulting in the capability on doing the audit assignments more efficient compared to non-big four public accounting firms. Parties involves as respondents for this research are auditors with all positions, ranging from junior auditors, senior auditors, assistant managers, managers, to audit partners so that the results of the research can be generalized.

According to Bougie and Sekaran (2013: 241), sample is a subsection of the population. It contains some members chosen from it. The sample in this study are as many as 130 auditors who worked on the big five public accounting firm in Jakarta. In this study, the number of samples from unknown populations was determined based on Roscoe (1975) statement in Sekaran and Bougie (2013: 269), namely:

1. *Sample size larger than 30 and less than 500 are appropriate for most research.*
2. *Where sample are to be broken into subsample (male female, juniors seniors, etc.), a minimum sample size of 30 for each category is necessary.*
3. *In multivariate research (including multiple regression analysis), the sample size should be several times (preferably 10 times or more) as large*

as the number of variables in the study.

4. *For simple experimental research with tight experimental controls (matched pairs, etc), successful research is possible with sample as small as 10 to 20 in size.*

The statement above explains that the proper sample size rule for most studies is more than 30 and less than 500. In multivariate research, the sample size should be several times (10 times or more) greater than the number of variables in the study. Therefore, 130 auditors are decided to be the number of samples in this study.

3.3 Type and Source of Data

The type of data used in this study is primary data. Primary data is data that refers to information obtained directly from the first party, in this case the data provided is in accordance with the research objectives (Sekaran and Bougie, 2013: 113). The primary data source in this study was obtained from individual respondents, namely auditors working in the big five public accounting firms in Jakarta.

This study uses questionnaire survey method as the main tool to obtain data. This method of survey will produce primary data. Questionnaire is a data collection technique that is done by giving a set of questions or written statements to respondents to be answered (Sugiyono, 2016: 142).

Standard rate of questionnaire returned which considered as good is usually ranges from 70% to 80% (Sivo et al., 2006) Therefore, the minimum number of questionnaires expected to return are 91 copies of 130 copies of questionnaires distributed. Data obtained through questionnaires in this study include data about auditor's independence, competence, work experience, professional skepticism

and audit quality.

The questionnaires are provided with statements in a Likert scale with a range of 1 (one) to 5 (five) and some open questions as well. Respondents should fill in the answer or mark the option selected on the questionnaire sheet.

Table 3.1
Questionnaire Assessment

Statements	SD	D	N	A	SA
Positive	1	2	3	4	5
Negative	5	4	3	2	1

Source: Processed data, 2018

3.4 Operational Definition and Variables Measurement

This research aims to find out factors that are affecting the audit quality. The study uses two kinds of variables, the independent variable (X) and the dependent variable (Y). Independent variables as variables that affect the dependent variable and dependent variable as variable described or influenced by independent variables.

There are four independent variables in this research, they are Independence (X1), Competence (X2), Work Experience (X3) and Professional Skepticism (X4) while the dependent variable is Audit Quality (Y). The variable explains that independence, competence, work experience and professional skepticism as independent variables affect audit quality as a dependent variable.

3.4.1 Independence (XI)

In this study, two indicators of auditor's independence are used as described in Tjun et.al. (2013). The measurable indicators of auditor's independence refer to two derived variables. These indicators include:

1. Audit Tenure

Each country has a policy or regulation related to the auditor's work relation with the client. As in Indonesia, it is regulated in the Regulation of the Minister of Finance no. 17/PMK.01/2008 concerning Public Accountant Services. There is a limitation related to the auditor to not providing audit service later than 3 (three) consecutive years for the same client while for Public Accounting Firm, the limitation is a maximum of 6 (six) consecutive years. This limitation is made in order to keep the relationship between auditors and clients are not too close, wishing that they won't cause a fraud scandal that will affect the attitude of independence.

According to Tjun et al. (2013), auditing the same client for many years may possibly encourage public accountants to lose their independence because the public accountant feels satisfied, lacks innovation, and is less strict in carrying out audit procedures. On the contrary, auditing the same client for years might also increase independence because public accountants are already familiar with the conditions. The audit work can also be carried out efficiently and be more resistant to client pressure.

2. Pressure from Client

While conducting audit activities, sometimes, the auditor feels pressured by the client whereby there are conflict situations that occur between the auditor and the client. In accordance with the agency theory, management may wish that the company's performance appears to be successful, which is reflected through higher profits with the intention of creating rewards. To achieve these goals, it is not uncommon for company management to put pressure on the auditor so that the

audited financial statements are in accordance with the client's wishes. In this situation, the auditor experiences a dilemma. Goldman and Barlev (1974) stated that interested parties have the potential to influence auditors in taking actions that violate professional standards because the client may terminate the employment contract with the auditor if the client is dissatisfied with the auditor's decision. In addition, the client will also perform various ways to influence the work of the auditor during the audit process such as providing additional facilities to the auditor when they are conducting the field work. It certainly can affect the independence of auditors in conducting the audit.

This variable is measured by a 5-point Likert scale using modified questions for each indicator.

3.4.2 Competence (X2)

According to Agusti & Pertiwi (2013), auditor's competence is an individual with sufficient knowledge who is able to explicitly conduct the audit carefully, thoroughly and objectively. Competence is a professional skill owned by auditors as a result of formal education; professional exam; and participation in training, seminars, symposium, and others. This variable is measured by open questions on questionnaires with respondents' education level as the indicator, ranging from D3, D4, Sl, S2, S3, or other strata. The other indicator is the number of professional training in the fieldwork of accounting and auditing that the auditor has been participated, such as *Pendidikan Profesional Berkelanjutan* (PPL) which is required by the accounting profession and auditor organizations in Indonesia, professional training held by each of the auditor's public accountant firms, public accountant certification exam, or other professional training.

3.4.3 Work Experience (X3)

Work experience is one of the requirements that must be owned by the auditor in carrying out the audit assignment. Tubbs (1992) states that experienced auditors have an advantage in terms of detecting misstatements, understanding the misstatement accurately, and looking for the cause of the misstatement. This will automatically increase the audit quality generated. This variable is measured by open questions to the auditors which are included in the questionnaire with the questions of the length of work as an auditor and the number of clients that have been audited.

According to Christiawan (2004), audit experience will increase when the length of time working as an auditor is also increased. The longer the auditor has been doing audit practices, the better the audit quality will be provided, contradicted with auditor who has just started a career (Singgih and Bawono, 2010).

Work experience can also be assessed by the amount of clients that have been audited. According to Singgih and Bawono (2010), the more task an auditor performs, the more skill in detecting the audit findings. The number of clients that have been audited by the auditors are also able to help the auditor to complete the audit assignments faster and more accurate.

3.4.4 Professional Skepticism (X4)

Professional skepticism is an attitude that is always doubted, questioned and critically assess audit evidence then make decisions based on it (Hurtt, 2010). The indicator used to measure professional skepticism in this study is adopted from the six traits of professional skepticism by Hurtt (2010):

1. Questioning Mind

The first characteristic of professional skepticism is the questioning mind. A skeptical person will question a reason, adjustment, and proof of something he or she is facing or obtaining. The application of professional skepticism generally includes thoughts that always question every audit evidence, it is stated in the AU section 316 which states that skepticism is an attitude that includes thoughts that always question and evaluate audit evidence critically.

2. Suspension of Judgement

The second characteristic of skepticism is the suspension of judgment, a characteristic of a behavior in withholding audit conclusions until adequate evidence is obtained (Hurtt, 2010). A person with a characteristic of suspension in judgment will be needing more information, takes time to make decisions, and will not make a decision if all information has not been gathered.

3. Search for Knowledge

Someone who has a skeptical attitude generally has a high curiosity. High curiosity encourages a person to learn and seek a wealth of knowledge and information (Larimbi, 2013). These characteristics are formed from several symptoms such as always trying to find the latest information, feeling so fun when finding new things, and will not make decision if all information has not been obtained.

4. Interpersonal Understanding

The fourth characteristic of auditor's professional skepticism is the interpersonal understanding where a skeptical person will seek to understand the motivation and integrity of the information provider or the party providing the evidence. The purpose is to identify whether the information provided is valid or

not (Hurtt, 2010).

5. Autonomy

In accordance with SAS No. 01, AU Section 230, each auditor must objectively evaluate audit evidence to determine whether the evidence is sufficient to give a decision or not. This supports the autonomy as the last characteristic of professional skepticism. Hurtt (2010) states that professional skepticism involves individual autonomy such as self-direction and moral independence.

A person who is skeptical will not declare a conclusion until he has sufficient evidence and is personally convinced of the evidence. If it is felt that the evidence obtained is insufficient, then the search for evidence will continue until the person is satisfied. This behavior is an illustration that skepticism is able to direct itself to find evidence that can increase his confidence. According to Mautz and Sharaf (1985: 35), the characteristics of autonomy are very important for auditors, where auditors must have professional courage not only to critically examine and not accept the advice of others, but also submit their own findings separately and carry out evaluations.

6. Self Esteem

According to Larimbi (2013), someone who has a high self-esteem is a person who are motivated to care about himself and is always trying to achieve personal goals and aspirations. Self-esteem enables the auditor to resist persuasive endeavors and argue with any assumptions or conclusions given by others. In addition, self-esteem is required by skeptical auditors in alleviating doubt or answering questions raised during the audit process.

This variable is measured by a 5-point Likert scale using modified questions

for each indicator.

3.4.5 Audit Quality (Y)

Audit is a function as a process to reduce the inconsistency of information between managers and shareholders by using outsiders to provide approval for the financial statements. Users of financial statements, especially shareholders, will make decisions based the report that have been issued by the auditors. DeAngelo (1981) defines audit quality as the probability that the auditor is able to detect and report material findings in the auditee's financial statements.

The indicators of this variable are adopted from a research conducted by Sukriah et al. (2009) which are the compliance of the audit assignment with the audit standards and the quality of audit report generated. The audit standards are made with careful considerations and thoughts. Therefore, if the audit is carried out in accordance with the standards, the quality of the results will be more in accordance with its function as well. The resulting quality is reflected in the tangible form of an audit report. Thus, the audit report must also be prepared as well as possible in order to obtain good quality.

This variable is measured by a 5-point Likert scale using modified questions for each indicator.

3.5 Research Instruments Test

3.5.1 Reliability Test

Reliability is the level of how much a gauge measures stably and consistently (Jogiyanto, 2004: 159). Reliability test is used to measure a questionnaire which is an indicator of a variable or construct. A questionnaire is said to be reliable if someone's answer to the statement is consistent or stable over time (Ghozali, 2011:

47). The reliability test in this study was carried out using the help of the SPSS program through the Cronbach's Alpha (α) statistical test. A construct or variable is said to be reliable if it gives the Cronbach's Alpha value ≥ 0.70.

3.5.2 Validity Test

Validity shows whether the questionnaires are able to measure what should be measured (Jogiyanto, 2004: 146). Validity test is used to measure whether a questionnaire is valid or not. The questionnaire is said to be valid if the question in the questionnaire is able to reveal something that will be measured by the questionnaire (Ghozali, 2011: 52). Validity consists of internal and external validity. External validity shows that research results can be generalized to all different objects, situations, and times, while internal validity is defined as the ability of an instrument to measure what should be measured from a concept. The validity measurement in this study was done using SPSS program assistance. The instrument is said to be valid if the sig. r is smaller than 0.05 (α = 0.05)

3.6 Classical Assumption Test

3.6.1 Normality Test

Normality test is used to test whether the regression model or cofounding variable has normal distributions. Normality test is also used to know if normally distributed residual is inside the regression model. To know the normality of the data, this research used statistical test Kolmogorov-Smirnov in every variable. The data can be stated as normal distribution if the asymptotic significance value was equal or more than 0.05 (or error rate is 5%).

3.6.2 Multicollinearity Test

Multicollinearity test aims to test whether the regression model has a high or

perfect correlation between the independent variables. If the regression model shows that there is a high or perfect correlation between the independent variables, then the regression model is stated to contain multicollinearity symptoms. To detect the presence or absence of multicollinearity in the regression model, the researcher found the TOL (Tolerance) and VIF (Variance Inflation Factor) values of each independent variable to the dependent variable with the help of SPSS program. If the TOL value ≤ 0.10 or the VIF value ≥ 10, then it shows the existence of multicollinearity (Ghozali, 2011: 106).

3.6.3 Heteroscedasticity Test

Heteroscedasticity test examines the occurrence of value inequality in the residual variance regression model from one observation to another (Ghozali, 2013). Heteroscedasticity is the residual inequality of variance from one observation to another, while homoscedasticity is the similarity of one observation to another. The one that is expected in the regression model is homoscedasticity. The way to detect heteroscedasticity in this study is using the Rank Spearman test. Rank Spearman Test decreases the absolute residual value of the independent variable. In this test, if the significance result is > 0.05, it can be concluded that the regression model does not contain heteroscedasticity or vice versa. If the independent variable significantly influences the dependent variable, then there is a possibility of heteroscedasticity.

3.7 Data Analysis Model

The model used in this study is multiple regression analysis. Multiple regression analysis is a model in which the dependent or dependent variable is influenced by two or more independent or independent variables (Suliyanto, 2011:

53). The multiple linear regression equation of this study can be written as follows.

$$\mathbf{Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e}$$

Y	: Audit Quality
α	: Constant
b_1-b_4	: Regression Coefficient
X_1	: Independence
X_2	: Competence
X_3	: Work Experience
X_4	: Professional Skepticism
e	: *Error* or Residual Value

Statistically, the accuracy of the sample regression function in estimating the actual value can be measured from the coefficient of determination, the simultaneous significance test (F test), and the test of the significance of individual parameters (t test).

3.7.1 Coefficient of Determination

The determination coefficient basically aims to measure how far the ability of the model in explaining the variation of the dependent variable. The coefficient of determination is between zero and one. The value of a small determination coefficient means that the ability of the independent variable to explain the variation of the dependent variable is very limited. If the value indicates numbers close to one, it means that the independent variable provides almost all the information needed to predict the variation of the dependent variable (Ghozali, 2011: 97).

3.7.2 F Test

The F test basically shows whether all independent variables included in the model have a simultaneous influence on the dependent variable (Ghozali, 2011: 98). This test uses a significance level of 0.05 (α = 5%). If the F test results are significant (<0.05), the regression model is considered feasible. If the model used

is feasible, it means that the independent variables are simultaneously able to predict or explain the dependent variable.

3.7.3 T Test

Individual parameter significance test or often called hypothesis testing aims to find out how far the independent variables influence the dependent variable individually. The null hypothesis (Ho) and the alternative hypothesis (Ha) to be tested are as follows.

a. $H_o : b_1 = 0$, meaning that an independent variable is not a significant measurement of the dependent variable.
b. Ha: $b1 \neq 0$, meaning that an independent variable is a significant measurement of the dependent variable.

Hypothesis testing will be carried out using a significance level of 0.05 (α = 5%). If the significance level is <0.05, then Ho is rejected and Ha is accepted (Ghozali, 2011: 99).

CHAPTER IV

RESULTS AND DISCUSSIONS

4.1 Descriptions of Research Objects

The researcher distributed questionnaires to the big five public accounting firms in Jakarta where this research was conducted for approximately two weeks starting from July 20th 2018 to July 31st 2018. The researcher distributed the questionnaires in two ways through the online questionnaire and directly to the public accounting firm. A summary of the distribution and retrieval of the research questionnaire is presented in Table 4.1 below.

Table 4.1
Summary of Questionnaires Distributions

Information	Number of Questionnaires
Questionnaire distributed	130
Questionnaires were responded	114
Questionnaires were not responded	16
Questionnaires that are not usable	7
Questionnaires that are usable	107

Respon rate = 114/ 130 x 100% = 88%
Usable respon rate = 107/120 x100% =82%

Source: Data analyzed (2018)

Based on table 4.1, the questionnaires distributed were 130 copies. Questionnaires that were responded to were 114 copies or 88% of the total questionnaires that had been distributed. 16 copies of the questionnaires were not responded due to the busy work of the auditors. 7 copies of the questionnaires could not be used due to incomplete data. In final, questionnaires that can be used for data analysis are 107 copies or 82% of all questionnaires distributed.

4.2 Respondents Demographics

Based on the primary data obtained from 107 respondents, the demographics of the participated respondents can be seen as in the Table 4.2.

Table 4.2
Respondents Demographics

No.	Respondent Demographics	Number of Respondents	Percentage
1.	Gender		
	• Male	58	54%
	• Female	49	46%
Total		**107**	**100%**
2.	Age		
	• 21 – 30	101	94%
	• 31 – 40	5	5%
	• 41 – 50	1	1%
Total		**107**	**100%**
3.	Job Title		
	• Junior Auditor	45	42%
	• Senior Auditor	40	37%
	• Assistant Manager	16	15%
	• Manager	5	5%
	• Partner	1	1%
Total		**107**	**100%**
4.	Length of Work Experience as an Auditor		
	• 0 – 5 year	82	77%
	• 6 – 10 year	21	20%
	• > 10 tahun	4	3%
Total		**107**	**100%**
5.	Numbers of Clients Audited		
	• 0 – 10 client	78	73%
	• 11 – 20 client	12	11%
	• > 20 client	17	16%
Total		**107**	**100%**
6.	Formal Education		
	• D3	0	0%
	• D4	0	0%
	• S1	98	92%
	• S2	8	7%
	• S3	1	1%
Total		**107**	**100%**

7.	Accounting/Auditing Training Participated		
	• 0 – 5 training	39	36%
	• 6 – 10 training	33	31%
	• >10 training	35	33%
Total		**107**	**100%**

1. Gender

It reflects the gender involvement of the respondents participated in this study. The number of male respondents are 58 peoples (54%), while the number of female are 49 peoples (46%).

2. Age

Based on the results of data processing and questionnaires received, it can be seen that the majority of respondents in this study are auditors who have the age range of 21-30 years with a total of 101 people (94%), followed by auditors who have an age range of 31-40 years with a total of 5 people (5%). Meanwhile, auditors with an age range of 41-50 years amounted to 1 person (1%).

3. Job Title

Most respondents in this study hold positions as junior auditors with a total of 45 people (42%). While the second order is the senior auditors with 40 people (37%). The rest respondents are assistant managers totaling 16 people (15%), respondents with positions as managers totaling 5 people (5%), and respondents with positions as partner is 1 person (1%). Based on respondents' demographics, it can be seen that all occupational groups have been represented in this study.

4. Length of Work Experience as an Auditor

Most respondents have work experience as auditors for 0 - 5 years with a total of 82 people (77%). Other respondents have work experience as auditors for 6-10

years with a total of 21 people (20%), and the rest are respondents who have work experience as an auditor for more than 10 years with a total of 4 people (3%).

5. Numbers of Clients Audited

Based on the results of data processing and questionnaires received, it can be seen that respondents who have conducted audits on 0-10 clients amount to 78 people (73%). Respondents who had conducted audits on 11 - 20 clients amounted to 12 people (11%). While respondents who had conducted audits on more than 20 clients totaled 17 people (16%).

6. Formal Education Degree

There are no respondents with D3 and D4 degree. The majority of respondents in this research hold bachelor degree with a total of 98 respondents (92%). Meanwhile, the second position was occupied by respondents with master degree totaling in 8 respondents (7%). Furthermore, there were 1 (1%) respondent with doctoral degree.

7. Accounting/Auditing Training that has been Participated

The majority of respondents in this study had participated in accounting or auditing training for 0 - 5 times are 39 peoples (36%). While respondents who had attended accounting or auditing training for about 6 - 10 times are 33 peoples (31%). The rest are respondents who have attended accounting or auditing training more than 10 times with 35 people (33%).

4.3 Data Analysis Results

4.3.1 Research Instruments Test Results

The research instruments test is used to determine the extent to which the instruments in this study, which are the questionnaires, can be trusted. The instrument testing used in this research is reliability test and validity test.

4.3.1.1 Reliability Test

Reliability test is a form of research instrument test to determine whether the questionnaire is reliable for the study. The reliability test was carried out with the help of the Statistical Package for the Social Science (SPSS) program. The results of instrument reliability testing in this study can be seen in Table 4.3, where each statement item has Cronbach's Alpha greater than 0.7 so that the criteria for reliability test are fulfilled. Based on this, it can be concluded that all research instruments are declared reliable.

Table 4.3
Variable Reliability Test

No.	Variable	Cronbach's Alpha	Explanation
1.	Independence	0,771	Reliable
2.	Professional Skepticism	0,920	Reliable
3.	Audit Quality	0,880	Reliable

Source: Processed Data (2018)

4.3.1.2 Validity Test

The validity test is conducted by SPSS ver 21.0 program using the Pearson Correlation to produce the value of each question on the questionnaire. To determine the minimum requirements of a questionnaire to meet the validity test is to find the r_{table} value at the error level $\alpha = 5\%$. More details are presented in Table 4.4.

From Table 4.4, it can be seen that the value of sig. r of the question indicator is smaller than 0.05 (α = 0.05) and on every item, $r_{hitung} > r_{tabel}$, which means that each indicator variable is valid, so it can be concluded that the indicators can be used to measure the research variables.

Table 4.4
Variable Validity Test

Item	Pearson Correlation Coefficient r	Sig.	r Tabel	Pearson Correlation Value
X1.1	0.796	0.000	0.3	Valid
X1.2	0.814	0.000	0.3	Valid
X1.3	0.779	0.000	0.3	Valid
X1.4	0.702	0.000	0.3	Valid
X4.1	0.753	0.000	0.3	Valid
X4.2	0.728	0.000	0.3	Valid
X4.3	0.698	0.000	0.3	Valid
X4.4	0.612	0.000	0.3	Valid
X4.5	0.607	0.000	0.3	Valid
X4.6	0.564	0.000	0.3	Valid
X4.7	0.754	0.000	0.3	Valid
X4.8	0.748	0.000	0.3	Valid
X4.9	0.616	0.000	0.3	Valid
X4.10	0.761	0.000	0.3	Valid
X4.11	0.702	0.000	0.3	Valid
X4.12	0.726	0.000	0.3	Valid
X4.13	0.792	0.000	0.3	Valid
X4.14	0.777	0.000	0.3	Valid
Y.1	0.745	0.000	0.3	Valid
Y.2	0.765	0.000	0.3	Valid
Y.3	0.718	0.000	0.3	Valid
Y.4	0.812	0.000	0.3	Valid
Y.5	0.776	0.000	0.3	Valid
Y.6	0.743	0.000	0.3	Valid
Y.7	0.794	0.000	0.3	Valid

4.3.2 Classical Assumptions of Regression

One of the requirements to be able to use multiple regression equations is the fulfillment of classical assumptions. To get an unbiased and efficient test value from a multiple regression equation with the least squares method, it is necessary to test to find out the regression model produced meets the classical assumption requirements. The classic assumption test carried out in this study was normality test, multicollinearity test, and heteroscedasticity test.

4.3.2.1 Normality Test

Normality test is done to indicate whether the residual value is scattered normally or not. The procedure of the test is done by using *Kolmogorov-Smirnov* with the conditions of hypotheses:

H_0: residual is scattered normally

H_1: residual is not scattered normally

If the value of sig. (*p-value*) is > 0.05, then H_0 is accepted, which means that the normality is qualified.

Table 4.5
Normality Test Result

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		107
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.87200904
Most Extreme Differences	Absolute	.094
	Positive	.074
	Negative	-.094
Kolmogorov-Smirnov Z		.970
Asymp. Sig. (2-tailed)		.304

a. Test distribution is Normal.

b. Calculated from data.

Based on Table 4.5, it can be seen that the sig. value for both equations is greater than 0.05 (0.304> 0.05) and it is found that the residual has already had a normal distribution or the assumption of normality has been met.

4.3.2.2 Multicollinearity Test

Multicollinearity test is done to obtain that there is no perfect linear relation or there is no relation between independent variables. The test is done by comparing value of tolerance resulted from multiple regression calculation. If the value of tolerance is < 0,1, then there is multicollinearity. The multicollinearity result is presented in Table 4.6

Table 4.6
Multicollinearity Test Result

Independent Variables	Collinearity Statistics	
	Tolerance	VIF
Independence (X1)	0,442	2,264
Competence (X2)	0,293	3,411
Work Experience (X3)	0,343	2,916
Professional Skepticism (X4)	0,338	2,955

Source: Processed data (2018)

According to Table 4.6, the following is the results of each independent variable:

- Tolerance for Independence is 0.442
- Tolerance for Competence is 0.293
- Tolerance for Work Experience is 0,343
- Tolerance for Professional Skepticism is 0,338

Based on the result of the test, it is indicated that the overall value of tolerance is > 0.1, so it can be concluded that the multicollinearity does not occur between the independent variables.

Multicollinearity test can also be done by comparing VIF value (Variance

Inflation Factor) with value of 10. If VIF value is > 10, then multicollinearity occurs. These are the test results of each independent variable:

- VIF for Independence is 2.264
- VIF for Competence is 3.411
- VIF for Work Experience is 2.916
- VIF for Professional Skepticism is 2.955

From the test results, it can be concluded that there is no multicollinearity between independent variables. Thus the assumption test of the absence of multicollinearity can be fulfilled.

4.3.2.3 Heteroscedasticity Test

Heteroscedasticity testing is done to test whether in the regression model there is residual variance inequality from one observation to another. If the residual variance of an observation to another observation is constant, it is called heteroscedasticity.

Table 4.7
Heteroscedasticity Test Result

Independent Variable	Sig.
Independence (X1)	0,950
Competence (X2)	0,661
Work Experience (X3)	0,441
Professional Skepticism (X4)	0,584

Source: Processed data (2018)

From the result in Table 4.7, it is indicated that the independent variables have no significant effect on the absolute residual because the significance of each independent variable is greater than the significance level of 0.05, so it can be concluded that heteroscedasticity does not occur in this regression equation.

With all the classical assumptions of the above regression being met, it can be said that the multiple linear regression model used in this research is feasible or appropriate. So, the interpretation of the results of multiple regression analysis that has been done can be drawn.

4.3.3 Multiple Regression Analysis and Hypothesis Testing

Linear regression use to calculate the influence of the independent variables which are independence (X_1), competence (X_2), work experience (X_3), and professional skepticism (X4) on the dependent variable which is Audit Quality (Y).

Multiple Regression equation is functionate to find the relation between independent and dependent variables by using *SPSS for Windows ver 21.00. T*he regression model is presented in Table 4.8.

Table 4.8
Mulltiple Regression Analysis

Dependent Variable	Independent Variable	Unstandardized Coefficients (B)		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Y	(Constant)	16.469	2.572		6.404	0.000
	X1	0.363	0.178	0.198	2.037	0.044
	X2	0.136	0.066	0.248	2.080	0.040
	X3	0.054	0.027	0.223	2.022	0.046
	X4	0.110	0.054	0.228	2.054	0.043

Source: Processed Data (2018)

According to Table 4.8 we obtained the regression equation as follows:

Y = α + b1X1 + b2X2 + b3X3 + b4X4

Y = 16,469 + 0,363X1 + 0,136X2 – 0,054X3 + 0,110X

1. The constant value (α) of 16,469 indicates that if there are no independent variables of independence, competence, work experience and professional skepticism (X1, X2, X3, and X4 = 0), then the audit quality variable will

occur 16,469 times.

2. The regression coefficient (b1) of 0.363 indicates that every increase of the independence variable in one point, then the value of the audit quality variable will also increase by 0.363. It means, the auditor independence and audit quality have a significant positive relationship. Thus, if the auditor's independence increases, the audit quality will increase as well. Vice versa, if the auditor's independence decreases, the audit quality will also decrease.
3. The regression coefficient (b2) of 0.136 indicates that every increase on one point of the competence variable, the value of the audit quality variable will also increase by 0.136. It means, the auditor competence and audit quality have a significant positive relationship. Thus, if the auditor's competence increases, the audit quality will increase as well. Vice versa, if the auditor's competence decreases, the audit quality will also decrease.
4. The regression coefficient (b3) of 0.054 indicates that every increase in one point of the work experience variable, the value of the audit quality variable will also increase by 0.054. It means, the auditor work experience and audit quality have a significant positive relationship. Thus, if the auditor's work experience increases, the audit quality will increase as well. Vice versa, if the auditor's work experience decreases, the audit quality will also decrease.
5. The regression coefficient (b4) of 0.110 indicates that every increase in one point of the professional skepticism variable, the value of the audit quality variable will also increase by 0.110. It means, the auditor professional skepticism and audit quality have a significant positive relationship. Thus, if the auditor's professional skepticism increases, the audit quality will increase

as well. Vice versa, if the auditor's professional skepticism decreases, the audit quality will also decrease.

Regarding to the interpretation above, the auditor's independence, competence, work experience and professional skepticism have significant positive influence on Audit Quality. In other words, if there is an increase of auditor's independence, competence, work experience and professional skepticism, then it will be followed by the escalation of audit quality.

4.3.3.1 Determination Coefficient

Table 4.9
Determination Coefficient

R	R Square	Adjusted R Square
0.759	0.576	0.560

Source: Processed Data (2018)

Coefficient of determination is used to calculate the influence or contribution of independent variables toward dependent variable. From analysis of Table 4.9 we get the result of adjusted R^2 is 0.560. Means that 56% Audit Quality variable will be influenced by the independent variables described in this study which are: Independence (X_1), Competence (X_2), Work Experience (X_3) and Professional Skepticism (X_4). Whereas another 44% of Audit Quality variable will be influenced by another variable undescribed in this study.

Besides coefficient of determination, the test also generates the number of coefficient of correlation which shows the relation of each independent variables (Independence, Competence, Work Experience and Professional Skepticism) and Audit Quality as the dependent variable. R values (coefficient correlation) shows in Table 4.8 is 0.759, it indicates that the relation of independent variables which are Independence(X_1), Competence (X_2), Work Experience (X_3) and Professional

Skepticism (X_4) toward the Audit Quality (Y) is considered as in a strong category because it shows number in the range of 0,6 - 0,8.

4.3.3.2 F Test

Table 4.10
F Test

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	505.261	4	126.315	34.684	0.000
Residual	371.468	102	3.642		
Total	876.729	106			

Source: Processed Data (2018)

F test is used to test whether all independent variables entered into the model have a simultaneous effect on the dependent variable. Based on the results of data processing in table 4.10, it can be seen that the significance value of F = 0,000 < *alpha* = 0,05 so that it can be concluded that the model used in this study is significant. This shows that auditor independence, competence, work experience and professional skepticism influence the audit quality simultaneously.

4.3.3.3 T Test

T test is used to obtain the result whether the independent variables partially has a significant influence toward the dependent variable. T test result presented on Table 4.11.

Table 4.11
Hypothesis Testing (T Test)

Variable	t	Sig.	Result
(Constant)	6.404	0.000	
X1	2.037	0.044	Significant
X2	2.080	0.040	Significant
X3	2.022	0.046	Significant
X4	2.054	0.043	Significant

1. **Auditor independence has a positive influence on audit quality (H1).**

   By using a one-way test and a significant level of 0.05, the probability value (0.044) is smaller than the significance level (0.05) so that H1 can be accepted which means auditor independence has a positive effect on audit quality.

2. **Auditor competence has a positive influence on audit quality (H2).**

   By using a one-way test and a significant level of 0.05, the probability value (0.040) is smaller than the significance level (0.05) so that H2 can be accepted which means auditor competence has a positive effect on audit quality.

3. **Auditor work experience has a positive influence on audit quality (H3).**

   By using a one-way test and a significant level of 0.05, the probability value (0.046) is smaller than the significance level (0.05) so that H3 can be accepted which means auditor work experience has a positive effect on audit quality.

4. **Auditor professional skepticism has a positive influence on audit quality (H4).**

   By using a one-way test and a significant level of 0.05, the probability value (0.043) is smaller than the significance level (0.05) so that H4 can be accepted which means auditor professional skepticism has a positive effect on audit quality.

In conclusion, all independent variables has significant influence to audit quality simultaneously and partially. From those four independent variables, the most dominant variable which influence the audit quality is competence, because it has the biggest value of beta standardized coefficient and t value.

4.4 Research Result Discussion

4.4.1 The Influence of Auditor Independence on Audit Quality

The test results for the first hypothesis (H_1) in this study indicate that auditor independence influence audit quality with a significance of 0.044 <0.05. The regression coefficient is 0.363 indicating that auditor independence has a positive effect on audit quality. This shows that the more independence the auditor has in conducting audits, the higher the audit quality will be. This is due to the need of the auditors to always be neutral and objective in conducting the audit works (Boynton, 2003: 78). This research also provides a reflection that in making decisions, auditors can be influenced by the urge to retain their clients. However, the results of this study indicate that there are several forces that can improve the audit quality by applying the independence attitude. These forces include regulations or legislation concerning the rotations of public accountants and fear of losing reputation if the audit goes wrong (Christiawan, 2004). In Indonesia, the rotation of public accountants and public accounting firms is regulated in the Regulation of the Minister of Finance no. 17/PMK.01/2008 concerning Public Accountant Services which states that public accountant cannot provide audit service for the same client later than 3 (three) consecutive years. While as in for public accounting firm, the limitation is a maximum of 6 (six) consecutive years. According to Singgih and Bawono (2010), events of financial scandals that have occurred also have a positive impact on the auditors, namely raising awareness to be more careful in maintaining their independence. One example of the financial scandal above was the fraudulent financial report by Toshiba in 2015 which caused eight of its leaders to resign. As the independent auditor of Toshiba at that time,

public accounting firm Ernst and Young incurred heavy reputational damage and was fined for 2.1 billion yen. With these kind of scandals, auditors increasingly feel constrained by the regulations that are made more stringent than before, and feel their profession is threatened by severe consequences such as loss of public trust in their profession and legal sanctions (Singgih and Bawono, 2010).

The results of independence testing on audit quality indicates that the more the auditor is free from supervision or inappropriate influence in the selection of techniques and procedures, the audit quality will increase. In order to improve the audit quality, being free from clients' coercion in developing the program including determining the steps that must be taken and the amount of work that must be carried out is a must. In addition, audit quality will also increase if the auditor is free from oversight and inappropriate influence in determining areas, activities, personal relationships and managerial policies to be examined. By being free from improper supervision and influences through examinations and expressing opinion of the audit, the audit quality will be improved as well.

The results of this study support the results of previous researches conducted by Sarwoko and Agoes (2014), Badjuri (2011), and Alim et al. (2007) which states that independence has a positive effect on audit quality. According to Singgih and Bawono (2010), auditor independence is a variable that has a dominant influence on audit quality. But on the contrary, the results of this study are not in line with the results of research conducted by Tjun et al. (2013) which states that independence does not has influence on audit quality.

4.4.2 The Influence of Auditor Competence on Audit Quality

The test results for the second hypothesis (H_2) in this study indicates that

auditor competence influence the audit quality with a significance of 0.040 <0.05. The regression coefficient is 0.136 indicating that auditor competence has a positive effect on audit quality. This shows that the higher the auditor's competence, the higher the audit quality generated. This is related to the implementation of auditors in audit practices that are required to be maximal, so that the auditors need knowledge and must constantly improve their knowledge (Tjun et al., 2013). Formal education background in accounting, sufficient professional training, and continuing professional education are needed to obtained in order to maintain auditor competence, which is a personal quality that must be owned by the auditors (Arens, 2008: 34-35). Kode Etik Akuntan Profesional by IAI also states that to ensure that clients will receive quality audit services, auditors must surely maintain their knowledge and competence at the required level.

The competence in this study was determined based on respondents' formal education degree and the number of professional trainings in accounting and auditing that had been participated by the auditors as respondents, so the results of this study also proves that the higher the educational level and the more professional trainings in accounting and auditing that has been participated by auditors, the audit quality generated will also increase.

Competent auditors tend to have broader insight into the world of accounting and auditing, or even other fields which enhanced the auditors in providing a better quality audit. Based on the results given from the data from the questionnaires, it can be concluded that the respondents in this study are highly competent auditors, because most of the respondents are bachelor degree and master degree graduates and certainly have a lot of expertise in the technical implementation of audits.

Judging from the number of trainings that have been followed, all respondents have attended training in accounting or auditing so that the knowledge and competence of auditors in planning audit procedures and evaluating audit evidence critically and systematically will also increase.

The results of this study support the results of some previous researches by Handayani and Merkusiwati (2015), Alim et al. (2007), Imansari et al. (2016), Furiady and Kurnia (2015) and Tjun et al. (2013) who found that high competent auditors tend to produce a better quality audit as well. The results of all the studies above indicate a positive influence between competencies on audit quality.

4.4.3 The Influence of Auditor Work Experience on Audit Quality

The test results for the third hypothesis (H_3) in this study indicates that auditor work experience influences audit quality with a significance of 0.046 <0.05. The regression coefficient is 0.054 indicating that auditor work experience has a positive effect on audit quality. This shows that the more work experience the auditor gained, the higher the audit quality will be. Auditor experience influences audit quality because experienced auditors have an advantage in detecting material misstatements, understanding the misstatement accurately, and looking for the cause of the misstatement (Tubbs, 1992). This is important due to the responsibility of an auditor to conduct a quality audit that can represent reliable financial assurance for public interest. The ability of auditors in conducting a quality audit will continue to increase along with the number of audit works and audit complexity that has been carried out (Sukriah et al., 2009).

Audit experience in this study was determined based on the length of work as an auditor and the number of clients audited, so that the results of this study also

prove that the longer a person works as an auditor and the more clients he has audited, the auditor's ability in doing the audit will certainly increase, including more rigorous and critical in finding potential material misstatements that might occur which will increase the audit quality.

The increase of auditor work experience has a positive influence on audit quality. While enhancing the auditor's experience, the situations and problems faced in the previous audit assignments will be considered as a material to learn by the auditor to conduct the next audit assignments. With more work experience, the auditor's understanding of the causes of financial statement's material misstatements due to error and fraud will be enhanced as well, so that auditors will generate a quality audit that are more reliable and valid.

The results of this study supports the results of previous researches conducted by Sukriah et al. (2009) and Zarefar et al. (2016) which states that work experience has a positive influence on audit quality. In contrast with research conducted by Singgih and Bawono (2010) which states that experience does not influence audit quality.

4.4.4 The Influence of Auditor Professional Skepticism on Audit Quality

The test results for the last hypothesis (H_4) in this study indicates that auditor professional skepticism influence audit quality with a significance of 0.043 <0.05. The regression coefficient is 0.110 indicating that auditor professional skepticism has a positive effect on audit quality. This shows that the more professional skepticism the auditor owned, the better the audit quality will be. Professional skepticism influences audit quality because it can improve auditor accuracy in evaluating audit evidence (Handayani and Merkusiwati, 2015). Professional

skepticism is emphasized in the ability of collecting and critically evaluating audit evidence. Auditors need to be skeptical in evaluating audit evidence as to estimate the possibilities of mistakes which may occur (Hurtt, 2010). Skeptical auditor would not just accept statements from clients, but will always look for more evidence until a solid decision is made (Zarefar et al., 2016). Those decisions are able to improve the audit quality generated. For public accountants, clients' trust on the audit quality is very important.

Auditor professional skepticism in this study is determined based on the six traits of professional skepticism according to Hurtt (2010), which are the questioning mind, suspension of judgment, search for knowledge, interpersonal understanding, and self-esteem. The results of this study prove that auditors who build and maintain these six traits will able to conduct good quality audit. According to these traits, the result of this study also indicates that the willingness of an auditor to look for sufficient audit evidence and to critically evaluates the evidence before making decision improve the quality of the audit. It also shows that an auditor who wait for more information to acquire sufficient information and evidence before making audit judgments will provide a better quality audit. From the interpersonal understanding characteristic, it can be identified that auditors who feel the need to examine the human aspects of an audit in evaluating evidence are also providing a better quality of audit. Auditors with good autonomy and high self-esteem will elevate the audit quality as well.

The results of this study supports the results of previous researches conducted by Handayani and Merkusiwati (2015), Zarefar et al. (2016), and Suraida (2006) which states that professional skepticism has a significant influence on audit quality

and positively affects audit quality. While on the contrary, the results of this study are not in line with the results of research conducted by Nandari and Latrini (2015), which states that professional skepticism does not have any influence on audit quality.

CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

This research was conducted to examine the influence of auditor's independence, competence, work experience and professional skepticism on audit quality. The conclusions from the data analysis are drawn as follows:

1. Auditor independence and audit quality shows a significant positive influence. Therefore, the first hypothesis which states that auditor independence positively affects audit quality has been proven.
2. Auditor competence and audit quality shows a significant positive influence. Therefore, the second hypothesis which states that auditor competence positively affects audit quality has been proven.
3. Auditor work experience and audit quality shows a significant positive influence. Therefore, the third hypothesis which states that auditor work experience positively affects audit quality has been proven.
4. Auditor professional skepticism and audit quality shows a significant positive influence. Therefore, the last hypothesis which states that auditor professional skepticism positively affects audit quality has been proven.

5.2 Limitation

This research is limited only to auditors who work in public accounting firms in the city of Jakarta, so the results of this study cannot be generalized to all auditors who work at the public accounting firms in Indonesia. In addition, the composition of respondents in this study is not balanced when viewed from their job position.

Respondents of this research are mostly junior auditors, senior auditors and assistant managers. Thus, the results of this study cannot be generalized to auditors in every job position. This is due to the tight schedule and high mobility of the audit partners and managers.

5.3 Recommendation

From the results of the analysis and conclusions that have been drawn, the researcher provides several suggestions as follows:

1. Public accounting firms should enhance auditor's awareness of the importance of professional skepticism and its practice by establishing policies and procedures in order to enhance their quality in doing the audit.
2. Auditors should regularly attend discussion forums or seminars related to their profession, so auditors can exchange ideas on current audit issues. Thus, the auditors are expected to improve their competence, so the audit quality will also increase.
3. Auditors should use their work experience as lessons in conducting future audit assignments. Thus, with different circumstances on every assignment, the auditors are able to enhance their future performance using the previous experiences of their assignments as material to help make the right decision on every obstacle arise. Therefore, they can as well improve the quality of the audit conducted.
4. Auditors should maintain their independence in conducting the audit assignments. Thus, the auditors will be free from any improper supervision and influence from the client and perform an objective audit which can represent the public interest.

5. For further research, it is expected that the future researchers can expand the scope of this research either by adding more population or sample as well as the research variable. Based on the data analysis, there are still approximately 44% of factors which may influence audit quality other than auditor independence, competence, work experience and professional skepticism, so it is expected that the future researchers can enrich the future researches.

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